FISCAL YEAR 2002

BUDGET

BUDGET OF THE UNITED STATES GOVERNMENT

THE BUDGET DOCUMENTS

Budget of the United States Government, Fiscal Year 2002 contains the Budget Message of the President and information on the President's 2002 proposals by budget function.

Analytical Perspectives, Budget of the United States Government, Fiscal Year 2002 contains analyses that are designed to highlight specified subject areas or provide other significant presentations of budget data that place the budget in perspective.

The *Analytical Perspectives* volume includes economic and accounting analyses; information on Federal receipts and collections; analyses of Federal spending; detailed information on Federal borrowing and debt; the Budget Enforcement Act preview report; current services estimates; and other technical presentations. It also includes information on the budget system and concepts and a listing of the Federal programs by agency and account.

Historical Tables, Budget of the United States Government, Fiscal Year 2002 provides data on budget receipts, outlays, surpluses or deficits, Federal debt, and Federal employment over an extended time period, generally from 1940 or earlier to 2006. To the extent feasible, the data have been adjusted to provide consistency with the 2002 Budget and to provide comparability over time.

Budget of the United States Government, Fiscal Year 2002—Appendix contains detailed information on the various appropriations and funds that constitute the budget and is designed primarily for the use of the Appropriations Committee. The *Appendix* contains more detailed financial information on individual programs and appropriation accounts than any of the other budget documents. It includes for each agency: the proposed text of appropriations language, budget schedules for each account, new legislative proposals, explanations of the work to be performed and the funds needed, and proposed general provisions applicable to the appropriations of entire agencies or group of agencies. Information is also provided on certain activities whose outlays are not part of the budget totals.

A Citizen's Guide to the Federal Budget, Budget of the United States Government, Fiscal Year 2002 provides general information about the budget and the budget process.

Budget System and Concepts, Fiscal Year 2002 contains an explanation of the system and concepts used to formulate the President's budget proposals.

Budget Information for States, Fiscal Year 2002 is an Office of Management and Budget (OMB) publication that provides proposed State-by-State obligations for the major Federal formula grant programs to State and local governments. The allocations are based on the proposals in the President's budget. The report is released after the budget.

AUTOMATED SOURCES OF BUDGET INFORMATION

The information contained in these documents is available in electronic format from the following sources:

CD-ROM. The CD-ROM contains all of the budget documents and software to support reading, printing, and searching the documents. The CD-ROM also has many of the tables in the budget in spreadsheet format.

Internet. All budget documents, including documents that are released at a future date, will be available for downloading in several formats from the Internet. To access documents through the *World Wide Web,* use the following address:

http://www.whitehouse.gov/omb/budget

For more information on access to electronic versions of the budget documents (except CD-ROMs), call (202) 512–1530 in the D.C. area or toll-free (888) 293–6498. To purchase a CD-ROM or printed documents call (202) 512-1800.

GENERAL NOTES

1. All years referred to are fiscal years, unless otherwise noted.
2. Detail in this document may not add to the totals due to rounding.

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THE BUDGET MESSAGE OF THE PRESIDENT

To the Congress of the United States:

On February 28, 2001, I submitted *A Blueprint for New Beginnings,* which provided the Congress with my budget plan to fund America's important priorities, reduce the debt by a historic amount, and provide fair and responsible tax relief for the American people. Today I am sending to the Congress more details on my proposed budget.

A budget is much more than a collection of numbers. A budget is a reflection of a nation's priorities, its needs, and its promise. This budget offers a new vision of governing for our Nation.

My budget strengthens and reforms education; preserves and protects Medicare and Social Security; strengthens and modernizes our military; improves health care; and protects our environment. Importantly, this budget creates an unprecedented $1 trillion reserve for additional needs and contingencies.

This budget also retires the maximum amount of debt possible by providing the fastest, largest debt reduction in history, $2 trillion over 10 years. Debt held by the public will be reduced to its lowest share of the economy since World War I.

After funding important priorities and retiring all Government debt possible, my budget uses the remaining portion of the surplus to provide fair and reasonable tax relief to every American who pays income taxes. My budget uses roughly one-fourth of the budget surplus to provide the typical family of four $1,600 in tax relief. The American people have been overcharged for Government, and they deserve a refund.

My budget does all these things, and more. I believe America's best days are yet to come, and I look forward to working with the Congress in a bipartisan fashion to ensure that our Nation reaches its full potential as we begin a new century.

GEORGE W. BUSH

April 9, 2001

II. BUDGET HIGHLIGHTS

II. BUDGET HIGHLIGHTS

A New Approach to Budgeting

Moderate Growth in Government and Fund National Priorities:

- Moderates recent rapid growth in spending, while funding national priorities, paying down the debt, and providing tax relief.
- Strengthens and reforms education, granting the Education Department the largest percentage spending increase of any Department (11.5 percent increase in 2002).
- Saves the entire Social Security surplus ($2.6 trillion) and commits to reforming the program.
- Spends every penny of Medicare tax and premium collections over next 10 years only on Medicare. Modernizes and reforms Medicare.
- Restores commitment to military personnel and begins transition to a 21st Century force structure.
- Champions compassionate conservatism by supporting the critical role that faith-based and community organizations play in helping people at the local level.

Debt Reduction: Achieves historic levels of debt reduction, retiring the maximum amount of debt possible over 10 years ($2 trillion).

Tax Relief: Lets taxpayers keep roughly one-fourth of the surplus they produced ($1.6 trillion over 10 years).

By the Numbers:

- Allocates projected $5.6 trillion surplus over 10 years. Breakdown of surplus:
  —Saves all of Social Security surplus ($2.6 trillion) for Social Security.
  —Provides $1.6 trillion in tax relief over 10 years.
  —Creates an unprecedented $1.4 trillion reserve for additional needs, debt service, and contingencies.
- Produces a $231 billion total surplus in 2002.
- Reduces historically high income tax burden.
- Moderates recent explosive growth in discretionary spending to 4.0 percent growth in 2002, an increase of $26 billion over 2001.
- Moderates growth in spending by making reductions in one-time spending, unjustified programs, duplicative programs, and programs that have completed their mission in 2002.

A New Approach to Budgeting—Continued

Initiative Highlights:

- K–12 Education. Increases funding for elementary and secondary education by $1.9 billion in 2002 over 2001 funding.
- Reading. Fully funds President's Reading First initiative, including Early Reading First, at $975 million in 2002, more than tripling funding for reading.
- Medicare. Sets aside $153 billion over the next 10 years for the Immediate Helping Hand initiative and Medicare modernization.
- National Institutes of Health (NIH). Continues commitment to double NIH, by providing a $2.8 billion increase for NIH, the largest annual funding increase in NIH's history.
- WIC. Funds the Special Supplemental Nutrition Program for Women, Infants, and Children (WIC) at 7.25 million individuals a month, maintaining current program level.
- Conservation. Provides the highest ever request for the Land and Water Conservation Fund - fully funding the program at $900 million.
- Energy Assistance. Nearly doubles the existing Weatherization Assistance Program providing an increase of $1.4 billion over 10 years.
- Community Health Centers. Launches a doubling of the number of people served by Community Health Centers by adding 1,200 sites.
- Provides tax relief to all Americans who pay income tax.
- Reduces the marriage penalty.
- Ends the death tax.
- R&D tax credit. Permanently extends the research and development (R&D) tax credit.
- Tax incentives. Provides other tax incentives for education, farmers, the disabled, health care, the environment, and charitable purposes.
- National Defense. Provides a $14.2 billion increase in Department of Defense spending in 2002 to begin to arrest the decline in national security, including $1.4 billion for military compensation to improve quality of life and reenlistment and retention of military personnel, $2.6 billion for research and development for new technologies (including missile defense alternatives), and $400 million to improve housing for our military members and their families.
- International security. Improves embassy security overseas, adding $1.2 billion.

III. CREATING A BETTER GOVERNMENT

1. IMPROVING GOVERNMENT PERFORMANCE

The Federal Government's performance needs to improve. The past Administration, Congress, and the General Accounting Office concluded that we still have much work to do to improve the management and performance of the Federal Government.

True Government reform must be based on a reexamination of the role of the Federal Government. The President has called for an "active, but limited" Government: one that empowers States, cities, and citizens to make decisions; ensures results through accountability; and promotes innovation through competition. Thus, the Administration will reform and modernize Government on the basis of three objectives to make Government:

- Citizen-centered, not bureaucracy centered;
- Results-oriented, not process-oriented; and
- Market-based, actively promoting not stifling, innovation and competition.

This task will not be easy and it will take time. The agenda for management reform outlined in the discussion below and in the following chapters of the President's Budget is just the first step in the process. As a next step, in the next few months the Administration will announce a more comprehensive Government reform and management agenda that will expand on the initiatives discussed below, and address other key reforms.

Section III, "Creating a Better Government," of this budget is a Government-wide Performance Plan with an integrated view of the goals and descriptions of program activity as contemplated by the Government Performance and Results Act of 1993 (GPRA). Rather than examining performance only in individual organizational units (such as departments and agencies), the functional presentation in the chapters that follow groups together similar programs. The Government-wide Performance Plan contains a significant number of key performance goals that serve as a window into the agencies' 2002 Performance Plans, which will be sent to Congress following the transmittal of the budget.

Good beginnings are not the measure of success, in Government or any other pursuit. What matters in the end is performance. Not just making promises, but making good on promises. This will be the standard for this Administration—from the farthest field office to the highest office in the land—as we begin the process of getting results from Government.

Making Government Citizen-Centered

Use the Internet to Create a Citizen-Centric Government: The explosive growth of the Internet has transformed communications between customers and businesses. It is also transforming communications between citizens and Government. The President believes that providing access to information and services is only the first step in electronic Government (e-gov). Citizen-centered Government will use the Internet to bring about transformational change: agencies will conduct transactions with the public along secure web-enabled systems that use portals to link common applications and protect privacy. This will give citizens the ability to go online and interact with their Government and with their State and local Governments that provide similar information and services around citizen preferences and not agency boundaries.

Create an E-Government Fund: The budget proposes $20 million in 2002 as the first installment of a fund that will grow to a total of $100 million over three years to support interagency e-gov initiatives. OMB would control the allocation of the fund to support information technology (IT) projects in the e-gov arena.

Projects that operate across agency boundaries will build off the foundation of essential building blocks, including: *www.firstgov.gov,* the online information portal that provides 24 hours a day/seven days a week access to all Government online information, searchable by topic rather than by agency; and the development of a Public Key Infrastructure to implement digital signatures that are accepted across agencies for secure online communications.

The fund will also further the Administration's ability to implement the Government Paperwork Elimination Act of 1998, which calls upon agencies to provide the public with optional use and acceptance of electronic information, services and signatures, when practicable, by October 2003. In recent years, funding for interagency e-gov initiatives has been obtained, as authorized by law, by passing the hat among agencies to support activities of interagency councils. The e-gov fund will accelerate the improvements this Administration will make to provide for interagency e-gov innovation.

Making Government Results-Oriented

Link Budget and Management Decisions to Performance: The Government's budget decision-making process allows elected officials—the President and members of Congress—to set broad priorities for Government programs and their managers through resource allocation. Choices are framed by the assessments of these officials about the country's needs for education, defense, energy, health, and a host of other national needs, within a framework of the resources available.

Making spending choices and allocating the appropriate resource level is an important step, but it is also important for spending to produce meaningful results. Performance information is necessary to determine the value and success of Government programs in achieving their goals. Passage of GPRA elevated the importance of good information on program performance, and at the same time signaled dissatisfaction with the performance information that has been available in the past.

The initial years of GPRA implementation have focused on developing a performance management framework, accompanied by a growing increase in the use of this performance information to support budget decisions. However, a systematic integration of budgeting with program performance has yet to occur, and GPRA has not been fully harnessed to improve management and managerial accountability. Bringing about a better linkage between performance and budget information will be a priority of this Administration. As a first step, department and agency heads have been directed to ensure that their 2002 Performance Plans, which will be submitted to Congress in April, also include performance goals for Presidential initiatives and for Government-wide and agency-specific reform proposals.

Over the coming year, the Administration will take a number of steps to strengthen the linkage between budget decision making and program performance.

- *Formally integrate performance with budget decisions:* Agencies will be asked to submit performance-based budgets this September for a selected set of programs. For the selected programs, agencies will be advised of specific performance targets that are compatible with funding levels, and program managers will be held directly accountable for managing to the targets. In future years, policy officials at all levels in the Executive Branch will be expected to set output targets to match funding levels for selected programs.
- *Develop legislation to enable program managers to be charged for support services, capital assets, and employer benefits:* If program managers are going to be held more accountable for the achievement of output targets, they should be given accurate information on the cost of their programs and flexibility in choosing service providers. At present, program managers do not always have information on, or control of, the full costs of support services, retirement, and other non-direct costs associated with their programs, which can distort budget choices. Legislation will be developed this year to address this problem by changing the way support services, capital assets, and employee benefits are budgeted.

- *Publish detailed performance data:* The 2003 Budget will include more performance information and the 2004 Budget will integrate detailed performance and budget data to establish a stronger, more extensive and public link between the agency budget requests and performance measurement in the President's Budget.

Ensure Financial Accountability: The President believes that Government must ensure a basic level of financial accountability that is expected of any company in the private sector. He is holding agency heads accountable for obtaining and maintaining unqualified or "clean" opinions on their agencies' annual financial statement audits. More than 60 percent of agencies currently receive "clean" opinions; heads of the agencies without clean opinions are expected to attack vigorously the long-standing difficulties and record-keeping deficiencies that prevent clean opinions.

Reduce Erroneous Payments to Beneficiaries and Other Recipients of Government Funds: Financial accountability also requires assurance that Federal funds are being used for their intended purpose and not being distributed due to error. The General Accounting Office identified $19.1 billion in erroneous payments made last year, and noted that the amount could be considerably larger. The President will direct agency heads to develop more rigorous controls to ensure that Federal funds reach their intended recipients at the correct time and in the proper amount. Further, he will promote the use of recovery audits and other steps to ensure that overpayments are avoided or returned to the Government.

Use Capital Planning to Improve Performance: Agencies invest more than $40 billion in IT to support some 26,000 information systems. Technology now affects virtually every aspect of the way the Government operates, and IT investments are extremely important to the success of e-gov transforming the delivery of information and services. Agencies will use capital planning and investment control to promote security and privacy in the use of technology and guide the results of this investment, and ultimately for ensuring results from other capital assets as well. The Government can thus achieve outcomes from IT investments that match agency strategic priorities and provide real benefits for the American people.

Eliminate Duplicative and Ineffective Programs: The Federal Government spends billions of dollars on programs that are obsolete, ineffective, or better performed by the private sector. The Administration will seek to redeploy resources from old priorities to make room for new Administration priorities by reducing or eliminating funding for programs that have completed their mission or that are redundant, ineffective, or obsolete.

Expand the Use of Performance-Based Contracts: Because of expanding missions and declining staff, agencies are increasingly relying on outside contractors. The Federal Government spends roughly $110 billion a year in service contracts. The increase in the amount and type of contracting creates the opportunity and the necessity to move toward performance-based contracting—where the focus is on the results to be achieved, rather than the manner in which the work is performed or the "effort" involved. Agencies will convert Federal service contracts to performance-based contracts wherever possible, saving an estimated $8.3 billion over five years.

Incorporate Successful Private Sector Reforms Throughout the Federal Work Force: The current civil service system does not do all it should to reward achievement or encourage excellence. It also limits the ability of agency heads to compete successfully for high-skilled senior talent. In an effort to get closer to the customer, American businesses have increasingly replaced old, hierarchical organizations with flatter, more entrepreneurial ones. To shrink the distance between citizens and decision makers who shape Government programs, the Administration will incorporate successful private sector reforms throughout the Federal work force: flatten the Federal hierarchy; reduce the number of layers in the upper echelon of Government; and use work force planning to help agencies redistribute higher-level positions to front-line, service delivery positions that interact with citizens. The Administration will also seek legislation to provide program managers new and expanded work force restructuring tools. These actions, combined with improved

accountability through better linkage of program performance with budget decision making and other reforms, will make the Federal Government more nimble and responsive. The Government can also be made more effective. These same work force planning tools can help ensure that agencies have people with the right skills in the right places in the right numbers to deliver programs people care about.

Making Government Market-Based

Make e-Procurement the Government-wide Standard: Businesses are experiencing significant cost savings by shifting their procurement to the Internet. Savings are derived from reduced transaction-processing costs, more efficient inventory management, and greater competition from vendors lowering prices. In an effort to lower costs and utilize market-based solutions wherever possible, agencies will move to paperless contracting processes in which information from one step of the process is automatically fed to the next step in the process, eliminating the need to re-enter data. Procurement data will be linked to financial systems, making the payment process both faster and more accurate; disposal of excess Government property will become more effective. Agencies will also expand use of "share-in-savings" approaches, in which market incentives reward contractors who can retain a portion of any savings that result from innovation.

Open Government Activities to Competition: Opening Government functions to competition to the fullest extent possible is the best way to ensure market-based pricing and encourage innovation, while saving the taxpayers an estimated $14 billion over five years. Since 1998, agencies have been required to inventory their activities that are commercial in nature—that is activities that are not "so intimately related to the public interest as to require performance by Federal Government employees." In the past, agencies have found that when competitive bidding is employed, they experience average savings of 30 percent when a private contractor wins, and 20 percent when the public sector wins. Consequently, for these activities, agencies will use an open, competitive process (considering both public and private bidders) to choose the providers. The competitive process will be studied so that it can be streamlined.

Table 1–1. Federal Resources by Function

(In billions of dollars)

Category	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
NATIONAL DEFENSE:							
Spending:							
Discretionary Budget Authority	300.8	311.3	325.1	333.9	343.2	352.7	362.5
Mandatory Outlays:							
Existing law	–0.5	–0.4	–0.1	–0.2	–0.5	–0.6	–0.6
Proposed legislation	....	....	0.1	0.2	0.2	0.1	0.1
Credit Activity:							
Direct loan disbursements	....	*	0.1	0.1	0.2	....	....
Guaranteed loans	*	*	0.1	0.5	0.5	....	....
Tax Expenditures:							
Existing law	2.1	2.2	2.2	2.2	2.2	2.3	2.3
INTERNATIONAL AFFAIRS:							
Spending:							
Discretionary Budget Authority	23.5	22.7	23.9	24.4	24.9	25.5	26.0
Mandatory Outlays:							
Existing law	–4.1	–6.7	–3.5	–3.4	–3.4	–3.4	–3.4
Credit Activity:							
Direct loan disbursements	1.6	2.3	2.0	0.5	0.2	0.2	0.1
Guaranteed loans	11.4	11.1	11.5	10.8	10.7	11.6	11.2
Tax Expenditures:							
Existing law	16.6	18.1	18.3	18.9	20.0	21.3	22.6
GENERAL SCIENCE, SPACE, AND TECHNOLOGY:							
Spending:							
Discretionary Budget Authority	19.2	20.9	21.2	21.9	22.4	22.9	23.5
Mandatory Outlays:							
Existing law	*	0.1	0.1	0.2	0.2	0.1	0.1
Tax Expenditures:							
Existing law	3.3	7.7	8.4	7.2	6.6	4.7	3.3
ENERGY:							
Spending:							
Discretionary Budget Authority	2.7	3.1	2.8	2.9	3.1	3.2	3.3
Mandatory Outlays:							
Existing law	–4.0	–3.7	–3.3	–3.2	–3.7	–3.6	–3.6
Credit Activity:							
Direct loan disbursements	1.4	1.9	2.2	2.5	2.7	2.8	2.9
Guaranteed loans	0.2	0.1	0.1	0.1	0.1	0.1	0.1
Tax Expenditures:							
Existing law	2.0	2.1	2.1	1.9	1.6	1.8	1.9
NATURAL RESOURCES AND ENVIRONMENT:							
Spending:							
Discretionary Budget Authority	24.6	28.7	26.4	27.0	27.6	27.6	27.4
Mandatory Outlays:							
Existing law	*	–0.2	–0.1	0.1	0.2	0.1	0.1
Proposed legislation	....	....	–*	–0.1	–*	*	0.1
Credit Activity:							
Direct loan disbursements	*	*	*	*	*	*	*
Guaranteed loans	....	....	*	0.1	*	....	....
Tax Expenditures:							
Existing law	1.5	1.6	1.6	1.7	1.8	1.9	2.0
AGRICULTURE:							
Spending:							
Discretionary Budget Authority	4.7	5.1	4.8	5.2	5.2	5.3	5.4
Mandatory Outlays:							
Existing law	32.0	20.4	13.2	9.8	8.8	8.8	9.1
Credit Activity:							
Direct loan disbursements	11.0	10.3	10.4	8.9	8.8	8.6	8.9
Guaranteed loans	5.4	6.5	6.8	6.9	6.9	6.9	6.9

Table 1–1. Federal Resources by Function—Continued

(In billions of dollars)

Category	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	1.0	1.1	1.1	1.2	1.2	1.3	1.3
COMMERCE AND HOUSING CREDIT:							
Spending:							
Discretionary Budget Authority	5.1	0.7	–0.3	–0.1	–0.4	–0.5	–0.5
Mandatory Outlays:							
Existing law	–1.3	–2.5	6.7	4.7	4.0	4.2	2.9
Proposed legislation	....	....	–0.1	–0.1	–0.1	–0.1	–0.1
Credit Activity:							
Direct loan disbursements	1.3	1.7	1.6	1.6	1.6	1.6	1.6
Guaranteed loans	218.7	231.3	250.8	263.2	272.8	282.4	290.0
Tax Expenditures:							
Existing law	242.5	254.7	266.7	277.8	289.5	301.2	314.8
TRANSPORTATION:							
Spending:							
Discretionary Budget Authority	15.2	18.9	16.8	17.8	18.2	18.6	19.0
Mandatory Outlays:							
Existing law	2.1	2.2	1.8	2.0	2.0	1.9	1.9
Credit Activity:							
Direct loan disbursements	0.3	0.4	0.7	1.1	1.5	2.0	2.2
Guaranteed loans	0.9	0.6	0.4	0.2	0.2	0.2	0.2
Tax Expenditures:							
Existing law	2.1	2.2	2.4	2.5	2.7	2.8	3.0
COMMUNITY AND REGIONAL DEVELOPMENT:							
Spending:							
Discretionary Budget Authority	12.2	11.0	10.4	10.7	10.9	11.1	11.3
Mandatory Outlays:							
Existing law	–0.8	–0.6	–0.3	–0.7	–0.7	–0.8	–0.9
Proposed legislation	....	....	–*	–0.1	–0.1	–0.2	–0.4
Credit Activity:							
Direct loan disbursements	1.9	2.2	1.9	1.8	2.0	2.0	2.0
Guaranteed loans	1.4	2.8	2.4	2.0	1.8	1.8	1.9
Tax Expenditures:							
Existing law	1.2	1.4	1.9	2.4	2.4	2.6	3.1
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:							
Spending:							
Discretionary Budget Authority	44.4	61.1	65.4	67.1	69.0	70.7	72.3
Mandatory Outlays:							
Existing law	10.3	9.1	14.3	14.5	14.8	15.3	16.2
Proposed legislation	....	....	0.1	0.3	0.4	0.4	0.4
Credit Activity:							
Direct loan disbursements	16.4	19.1	16.6	17.5	18.4	19.4	20.4
Guaranteed loans	26.6	29.5	30.7	32.4	34.2	36.2	38.2
Tax Expenditures:							
Existing law	36.0	37.8	38.8	40.4	43.2	45.0	47.5
HEALTH:							
Spending:							
Discretionary Budget Authority	33.8	38.9	41.0	45.7	46.9	48.1	49.4
Mandatory Outlays:							
Existing law	124.5	138.7	152.4	168.9	183.6	199.7	216.6
Proposed legislation	....	2.5	10.7	13.7	14.6	4.3	0.1
Credit Activity:							
Guaranteed loans	*	*	*	*	*	*	*

Table 1-1. Federal Resources by Function—Continued

(In billions of dollars)

Category	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	91.1	99.8	108.6	117.8	127.5	136.8	147.1
MEDICARE:							
Spending:							
Discretionary Budget Authority	3.0	3.4	3.5	3.5	3.6	3.7	3.8
Mandatory Outlays:							
Existing law	194.1	216.0	226.4	238.6	252.2	270.8	279.4
Proposed legislation	....	....	....	....	....	8.3	12.8
INCOME SECURITY:							
Spending:							
Discretionary Budget Authority	31.6	39.5	42.8	45.1	46.7	48.3	49.6
Mandatory Outlays:							
Existing law	206.5	217.2	228.5	237.0	246.3	258.2	265.5
Proposed legislation	....	....	0.3	0.9	1.0	1.2	1.3
Credit Activity:							
Direct loan disbursements	*	*	*	....	....	....	....
Guaranteed loans	*	*	0.1	0.1	0.1	0.1	0.1
Tax Expenditures:							
Existing law	147.6	153.4	159.1	165.7	172.3	179.1	187.7
SOCIAL SECURITY:							
Spending:							
Discretionary Budget Authority	3.2	3.4	3.5	3.6	3.7	3.8	3.8
Mandatory Outlays:							
Existing law	406.0	430.0	451.6	473.5	498.0	524.3	553.0
Tax Expenditures:							
Existing law	24.8	26.0	27.3	28.4	29.7	31.3	33.0
VETERANS BENEFITS AND SERVICES:							
Spending:							
Discretionary Budget Authority	20.9	22.5	23.5	24.0	24.5	25.1	25.7
Mandatory Outlays:							
Existing law	26.3	23.0	28.1	29.7	31.3	35.4	34.1
Proposed legislation	....	....	*	–*	–0.1	–0.1	–0.1
Credit Activity:							
Direct loan disbursements	1.5	1.7	1.7	1.9	2.0	2.0	2.0
Guaranteed loans	20.2	29.5	29.0	29.6	30.2	30.8	31.5
Tax Expenditures:							
Existing law	3.3	3.5	3.7	3.9	4.0	4.3	4.5
ADMINISTRATION OF JUSTICE:							
Spending:							
Discretionary Budget Authority	27.1	30.0	29.8	31.9	32.3	32.8	33.5
Mandatory Outlays:							
Existing law	1.0	0.7	1.5	1.1	2.5	2.5	2.5
GENERAL GOVERNMENT:							
Spending:							
Discretionary Budget Authority	12.4	14.0	14.8	15.0	15.4	15.7	16.0
Mandatory Outlays:							
Existing law	1.0	2.3	1.8	1.8	2.0	1.8	1.8
Proposed legislation	....	....	*	....	1.2	*	*
Credit Activity:							
Direct loan disbursements	*	*	*	....	....	....	....
Tax Expenditures:							
Existing law	67.7	71.3	74.8	78.3	82.1	86.0	88.7
NET INTEREST:							
Mandatory Outlays:							
Existing law	223.2	206.4	188.1	175.2	161.5	144.6	127.1
Proposed legislation	....	....	*	*	*	0.1	0.1

Table 1–1. Federal Resources by Function—Continued
(In billions of dollars)

Category	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Tax Expenditures:							
Existing law	0.5	0.5	0.5	0.5	0.6	0.6	0.6
ALLOWANCES:							
Spending:							
Discretionary Budget Authority	....	....	5.3	5.4	5.6	5.7	5.8
UNDISTRIBUTED OFFSETTING RECEIPTS:							
Mandatory Outlays:							
Existing law	–42.6	–47.7	–51.8	–60.7	–62.4	–56.2	–57.8
Proposed legislation	....	....	2.4	0.3	–8.2	–2.7	–4.6
FEDERAL GOVERNMENT TOTAL:							
Spending:							
Discretionary Budget Authority	584.4	634.9	660.6	685.1	702.7	720.1	737.9
Mandatory Outlays:							
Existing law	1,174.0	1,204.4	1,255.4	1,289.2	1,336.6	1,403.0	1,444.0
Proposed legislation	....	2.5	13.4	15.2	8.9	11.2	9.6
Credit Activity:							
Direct loan disbursements	35.5	39.6	37.3	35.9	37.5	38.6	40.2
Guaranteed loans	284.9	311.6	332.0	346.0	357.6	370.1	380.0

* $50 million or less.

Notes: Tax expenditure proposals are presented in Table S–10.

The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations and is requesting sufficient appropriations in 2002 to cover normal funding, instead of requesting advance appropriations for 2003. This increases budget authority by $22.7 billion in 2002 only.

2. NATIONAL DEFENSE

Table 2–1. Federal Resources in Support of National Defense
(In millions of dollars)

Function 050	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	300,767	311,271	325,079	333,934	343,194	352,704	362,515
Mandatory Outlays:							
Existing law	–470	–445	–122	–182	–517	–555	–630
Proposed legislation	....	....	97	155	150	108	68
Credit Activity:							
Direct loan disbursements	....	32	72	136	201	....	....
Guaranteed loans	47	39	120	518	537	....	....
Tax Expenditures:							
Existing law	2,140	2,160	2,190	2,210	2,240	2,260	2,290

The Federal Government will allocate $325 billion in 2002 to defend the United States, its citizens, its allies, and to protect and advance American interests around the world. National defense programs and activities ensure that the United States maintains strong, ready, and modern military forces to promote U.S. objectives in peacetime, deter conflict, and if necessary, successfully defend our Nation and its interests in wartime.

Over the past half-century, our defense program has fielded forces for conflicts in Korea, Vietnam, and Southwest Asia, deterred both conventional and nuclear attack on U.S. soil, helped bring an end to the Cold War, and successfully executed numerous contingency operations. Today, the United States military remains the strongest on earth, but it still faces a number of challenges. These include assuring that military personnel are adequately paid, their families are adequately housed, and that they receive the necessary training and equipment to do their jobs. In order to meet the challenges of the 21st Century, the President has asked the Secretary of Defense to conduct a major review that will analyze the Nation's military strategy, the structure of our Armed Forces, and defense spending priorities.

Department of Defense (DOD)

The DOD budget provides for the pay, training, operation, basing, and support of U.S. military forces, and for the development and acquisition of equipment. DOD sustains the capabilities that follow to achieve its objectives.

Conventional Forces: Conventional forces include ground forces such as infantry and tank units; air forces such as tactical aircraft; naval forces such as aircraft carriers, destroyers, and attack submarines; and Marine Corps expeditionary forces. The Nation needs conventional forces to deter aggression and, when that fails, to defeat it. Funds to support these forces cover pay and benefits for military personnel; the purchase, operation, and maintenance of conventional systems such as tanks, aircraft, and ships; the purchase of ammunition and spare parts; and training.

Mobility Forces: Mobility forces provide the airlift and sealift that transport military personnel and materiel throughout the world. They play a critical role in U.S. defense strategy and are a vital part of America's response to contingencies that range from humanitarian relief efforts to major theater wars. Airlift aircraft provide a flexible, rapid way to deploy

forces and supplies quickly to distant regions, while sealift ships allow the deployment of large numbers of heavy forces together with their fuel and supplies. The mobility program includes prepositioning equipment and supplies at sea or on land near the location of a potential crisis, allowing U.S. forces that must respond rapidly to crises overseas to quickly draw upon these prepositioned items. The mobility program also ensures that DOD will have access to a fleet of active, militarily useful, privately-owned U.S. vessels that would be available in times of national emergency.

Strategic Forces: Nuclear forces are an essential element of our national deterrent posture. They include land-based intercontinental ballistic missiles, submarine-launched ballistic missiles, long-range bombers, and sub-strategic forces. In addition to offensive forces, the President has established the deployment of effective missile defenses as a top Administration policy. To deter new threats, including weapons of mass destruction and increasingly sophisticated ballistic missiles, we require offensive and defensive systems working together. The President has initiated a review to determine how to put this new concept of deterrence into effect.

Supporting Activities: Supporting activities include research and development, communications, intelligence, training and medical services, central supply and maintenance, and other logistics activities. In particular, the Defense Health Program provides health care through DOD facilities, as well as through TRICARE—its contracted, civilian network companion program.

DOD Performance

The President has asked the Secretary of Defense to conduct a major review to analyze the Nation's military strategy, the structure of our Armed Forces, and the defense budget priorities. The results of this review will lay the foundation for DOD's future goals, clarify key performance measures, and guide future decisions on military spending. Consequently, DOD's 2002 Performance Plan will be prepared following the completion of this review. The Administration will determine final 2002 and outyear funding levels only when the review is complete.

DOD's Performance Report for 2000 examined the Department's success in achieving the goals outlined in its 2000 Performance Plan. The Performance Report highlighted several critical long-term goals accomplished by DOD in 2000.

- ***Overseas Presence:*** During 2000, U.S. military forces supported a variety of peacetime deployments worldwide. Many of these missions were undertaken as part of the almost 200 annual joint and combined exercises sponsored by DOD.
- ***Recruitment:*** During 2000, aggregate active and reserve component forces met recruiting and quality goals.
- ***Joint Experiments:*** In its second year as the lead for joint experimentation, the U.S. Joint Forces Command conducted 19 transformation-related joint experiments in 2000—more than 35 percent above original projections.
- ***Infrastructure Streamlining:*** The portion of the defense budget spent on infrastructure decreased from a high of 45 percent in 1995 and 1996 to 42 percent in 1999. DOD exceeded its target for disposing of excess land and demolishing unused buildings. DOD was also able to surpass its target of 90 percent asset visibility and to exceed its target for reducing the National Defense Stockpile.
- ***Acquisition Reform:*** During 2000, 79 percent of DOD transactions in the areas of contracting, program management, and logistics were processed electronically. In addition, 95 percent of all micro-purchases under $2,500 were made with purchase cards. Finally, the acquisition work force was reduced by an additional five percent (relative to 1997), and DOD completed disposal of over 50 percent of Government surplus property—147,000 cumulative acres.
- ***Financial Management:*** DOD has reduced the number of accounting and finance systems from 324 in 1991 to 76 in 2000. At the end of 2000, 13 accounting and finance systems were reported to be compliant with legislative requirements.

The Department will also seek to improve management and efficiency by: (1) reducing cost growth and cycle times on major weapon systems to less than one percent and eight years, respectively; (2) eliminating excess infrastructure; (3) expanding annual public-private A-76 competitions; and (4) developing better measurement of inadequate defense housing.

Department of Energy (DOE) Performance

DOE's defense missions include national security and environmental remediation. The National Nuclear Security Administration (NNSA) is responsible for maintaining a safe, secure, and reliable nuclear weapons stockpile, improving nuclear nonproliferation, and managing the naval nuclear propulsion program. The goal of DOE's Environmental Management (EM) program is to clean up the legacy of contamination from nuclear weapons programs.

The NNSA and EM programs continue to experience delays and cost overruns in managing contracts and acquiring capital assets. DOE intends to increase performance-based contracting and improve project management to achieve significant cost savings for the taxpayers.

The budget proposes $13.4 billion to meet DOE's national security and environmental objectives, of which $7.2 billion is for ongoing national security missions and $6.2 billion addresses environmental cleanup activities.

In 2002, DOE will achieve the following performance goals:

National Security

- Report annually to the President on the need to resume underground nuclear testing to certify the safety and reliability of the nuclear weapons stockpile.
- Meet the milestones in DOE's science campaigns to improve understanding of nuclear weapons systems to certify annually the nuclear weapons stockpile without underground testing.
- Meet all annual weapons maintenance and refurbishment schedules jointly developed by DOE and DOD.
- Continue consolidation of weapons-usable material into fewer buildings and fewer sites in Russia. Convert an additional 1.7 metric tons of weapons grade highly enriched uranium to low enriched uranium, increasing the total converted to 3.8 metric tons.

Environmental Quality

- Complete remediation of one geographic site, bringing the total number of sites cleaned up to 75 out of a total of 113.
- Clean up 64 release sites, bringing the number completed to more than 5,166 of a total inventory of approximately 10,000 release sites. (A release site is a specific location where hazardous, radioactive, or mixed waste has or is suspected to have been discharged.)
- Treat high-level waste in the Defense Waste Processing Facility at the Savannah River site to produce 150 canisters of solidified waste, bringing the total produced to 1,576 of the estimated 19,179 required.
- Ship 3,149 cubic meters of transuranic waste to the Waste Isolation Pilot Plant, bringing the total waste shipped to 6,227 cubic meters out of 175,600 cubic meters requiring disposal.

Other Defense-Related Activities

Several other national defense activities are implementing performance measurement. These include: the Coast Guard; the Federal Bureau of Investigation; the American Battle Monuments Commission; Arlington National Cemetery; and the Selective Service System.

The Coast Guard supports the defense mission through overseas deployments for engagements with friends and allies, port security teams, boarding and inspection teams for enforcing UN sanctions, training, aids to navigation, international icebreaking, equipment maintenance, and support of the Coast Guard Reserve.

The Federal Bureau of Investigation conducts counterintelligence and surveillance activities.

The American Battle Monuments Commission is reducing the backlog of maintenance and continuing productivity improvements at cemeteries and memorials overseas.

Arlington National Cemetery is implementing a capital investment plan for using contiguous land sites that will be vacated by the Services, including the Navy Annex and portions of Fort Myer. A review is underway of the demographics of the four million annual visitors to this national historic shrine.

The Selective Service System is modernizing its registration process to promote military recruiting among registrants, and in cooperation with DOD, is reducing active duty and reserve force officers to reflect the reduced readiness requirements, and to fund additional automation.

3. INTERNATIONAL AFFAIRS

Table 3–1. Federal Resources in Support of International Affairs
(In millions of dollars)

Function 150	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority	23,459	22,651	23,867	24,388	24,918	25,468	26,031
Mandatory Outlays:							
Existing law	–4,069	–6,651	–3,543	–3,422	–3,438	–3,408	–3,361
Credit Activity:							
Direct loan disbursements	1,571	2,252	2,047	476	226	224	119
Guaranteed loans	11,443	11,110	11,544	10,829	10,743	11,585	11,215
Tax Expenditures:							
Existing law	16,630	18,060	18,340	18,910	20,040	21,260	22,590

The Administration proposes $23.9 billion for International Affairs programs in 2002. By fully funding these programs, the United States can provide the global leadership needed to enhance national security, including the security of Americans overseas; promote free trade and open markets; counter the threat posed by the global trade in illegal drugs; provide humanitarian and development assistance to address the global spread of poverty and diseases; and provide the modern technology and working conditions that our diplomats need in their efforts to secure our national interests overseas.

The performance goals that follow represent key U.S. foreign policy priorities based on the Administration's initial review of our international affairs programs and objectives. As the Administration continues to refine U.S. national security and foreign policy strategies, additional objectives and performance goals are likely to be identified. These goals should, therefore, be viewed as preliminary and not as an exhaustive list. International affairs agencies have additional performance goals that meet their legislative mandates in ways that contribute to U.S. national interests.

National Security

Vigorous engagement and leadership in international affairs are essential to U.S. national security. Experienced and skilled professionals are required to protect America's security interests, along with an active diplomacy and sufficient resources to address challenges anywhere in the world. The Administration's efforts to reduce the threat of weapons of mass destruction will combine active diplomacy with critical, targeted assistance programs. The United States will continue its bilateral efforts to resolve destabilizing regional conflicts, including the use of economic and reconstruction assistance, which will be complemented by multilateral work through international financial institutions and the United Nations. These tools for leadership in international affairs require a sustained commitment of resources to achieve results.

American resolve to advance national security and foreign policy interests throughout the world is unmatched. The advancement of those interests requires a day-to-day American presence in dangerous locations despite continued threats of terrorist violence. Effective performance of embassy security measures

must be an integral component of efforts to meet our national security goals. The Administration has accepted the management challenge to achieve efficiently and effectively global embassy security upgrades and maintain a high level of readiness at U.S. overseas posts. The budget proposes $1.3 billion for enhanced security measures, including $665 million for new, secure facility construction, which includes funding for U.S. Agency for International Development (USAID) facilities, $211 million for additional security upgrades to existing facilities, and $428 million for security readiness.

In addition to enhanced security, the Administration intends to review America's official presence overseas. According to one study, the distribution of U.S. Government staff overseas is based more on historical legacy and bureaucratic inertia than by a clear commitment to advance American policy goals. In some embassies, up to 30 U.S. agencies may be represented. Frequently, agencies do not know the true costs of having their staff in foreign countries. This situation clearly does not reflect the desired goal of a well managed, rational, and cost effective American presence overseas.

United Nations peacekeeping efforts can benefit U.S. national security. Working with the UN allows the United States to address policy objectives and share the cost among all nations, while reducing the possible requirement to deploy U.S. troops abroad. The United States must continue to address the need for UN management reforms. The United States must ensure that UN peacekeeping mission goals are defined and achievable, that vital national interests are identified, and that there is not only a planned exit strategy, but also a "success" strategy to UN peacekeeping operations.

The Department of State will meet the following goals in 2002:

- Continue to make full use of active and defensive measures to prevent and deter terrorist attacks and the loss of human life. The resources requested will support maintenance of counter-surveillance programs, integration of threat intelligence into an active security posture, inspection of all vehicles entering U.S. diplomatic compounds, and 24-hour guard coverage and electronic monitoring of embassy facilities.
- Improve the security posture of all agencies overseas, make more reliable the Department's ability to project resource needs in the future, and examine the current financing structure for overseas facilities to determine if it provides a sound basis for long-term capital needs.
- Set standards to measure the effectiveness of UN peacekeeping activities and bilateral U.S. assistance programs designed to build regional and national peacekeeping and peace enforcement capacities worldwide. Make decisions concerning continued support for and funding of these activities based on whether these standards are being met.
- Achieve demonstrable reductions in the flow of the material, equipment, and technology needed to acquire, produce, or deploy weapons of mass destruction, by helping officials in exporting countries and key transshipment points to improve their systems of export controls.

State Department Management and Operations

The budget provides funding to modernize and improve State Department management, which is expected to enable the Department to achieve its strategic and performance goals. The Department will identify appropriate quantitative indicators to measure the success of management reforms and ensure that budgetary resources are directly linked to management performance.

As with any institution, excessive layers of bureaucracy and duplicative bureaus impede effective management. In the case of the State Department, they can hinder the prompt and effective execution of foreign policy. To reduce the number of middle management positions that complicate lines of authority and hinder the development and presentation of coherent foreign policy, the Department of State will empower line officers. The budget also provides the necessary resources to improve needed work force planning and to strengthen the Department's human

resource management to enable the Department to effectively recruit, assess, and retain the highest possible caliber work force.

The budget includes $210 million for information technology investments that will improve interaction and information sharing among agencies in the foreign affairs community and modernize secure communications capabilities. The budget also provides the necessary funding to ensure that diplomatic and consular facilities are planned and constructed effectively, efficiently, and on budget.

In the context of the biennial authorization process, the Department will propose legislative changes needed to implement management reforms. In addition, the Department will improve its financial management practices to identify savings and performance enhancements accruing from the United States Information Agency (USIA)/Arms Control Disarmament Agency (ACDA) merger. This merger brought 4,000 staff under the direct control of the Secretary of State.

The Department will meet the following performance goals in 2002:

- Identify and eliminate bureaucratic layers that hinder effective foreign policy.
- Undertake and implement a comprehensive review of the Department's organization to realize efficiency gains by eliminating duplication in bureau functions.
- Review current administrative practices in overseas facilities and undertake reforms, including increased use of Foreign Service Nationals, to reduce substantially the cost of administrative support.
- Design and implement a long-term investment strategy in new technology that enables employees to communicate more effectively and that realizes increased cost savings and efficiencies.
- Complete and implement a comprehensive examination of current and future work force needs. The Department will demonstrate with measurable criteria how additional personnel contribute to fulfillment of specific program goals.
- Create and implement policies to ensure that the Department recruits, hires, and retains Foreign and Civil Service officers with the proper skills needed to fulfill the Department's strategic and performance goals. The Department will develop and apply performance criteria to measure the effectiveness of its recruitment, examination, and retention strategies.
- Identify, review, and implement, as necessary, overseas facility planning, construction, and management processes to ensure effective and on-budget service delivery.
- Describe savings and performance enhancements deriving from the USIA/ACDA merger and take steps to ensure that this merger achieves scale and other benefits as originally anticipated.
- Make substantial progress toward financial systems compliance with the Federal Financial Management Improvement Act.
- Present an authorization proposal that includes a blueprint for substantial management reforms.

Free Markets

As the President said in his Address to the Joint Session of Congress: "The cause of freedom rests on more than our ability to defend ourselves and our allies. Freedom is exported every day, as we ship goods and products that improve the lives of millions of people. Free trade brings greater political and personal freedom."

International affairs programs work to increase our economic freedom and prosperity in several ways. First, the United States Trade Representative (USTR), supported by the Departments of State and Commerce, and other agencies, works to reduce barriers to trade by negotiating new trade liberalizing agreements and by enforcing existing agreements. To reach this objective, the President has called on Congress to quickly give him, as each of the previous five Presidents has had, the ability to negotiate far reaching trade agreements with presidential trade promotion authority. This authority will enable the Administration to proceed aggressively with its negotiating agenda, which includes the World Trade Organization's (WTO) built-in agenda on agriculture and services, the

Free Trade Area of the Americas (FTAA), and bilateral free trade agreements.

Second, the Export-Import Bank provides export financing to correct market distortions that can put U.S. exports at a competitive disadvantage. The Overseas Private Investment Corporation (OPIC) provides investment insurance and financing for projects involving U.S. business. The President has pledged to reduce unnecessary corporate assistance and to support an active, but limited, Government. To this end, the Export-Import Bank must sharpen programs by focusing on support that would not otherwise be available in the private market or which redresses officially supported foreign competition. Similarly, OPIC's activities should focus more closely on companies and countries that cannot access private financing or insurance. These efforts should enhance the value added of Export-Import Bank's programs and make OPIC's programs complementary, not competitive, with the private market.

At the moment, these agencies have similar client bases and sometimes overlapping product lines. For example, both the Export-Import Bank and OPIC offer political risk insurance. The Administration intends to review how these agencies, along with the U.S. Trade and Development Agency, can serve American clients more effectively.

The trade agencies will meet the following performance goals in 2002:

- USTR will work with Congress to obtain trade promotion authority and use this to provide impetus for a new negotiating round in the WTO, progress in the FTAA, and negotiation of other free trade agreements, including with Chile and Singapore.
- USTR, working with the Treasury Department and Congress, will seek extension of the Generalized System of Preferences and extension and enhancement of the Andean Trade Preference Act, as included in the President's revenue proposals.
- The Export-Import Bank will expand its direct support to small business above 2001 levels, as well as improve its internal processes and outreach through use of proven technologies.
- OPIC will strive to support a stable level of private U.S. investment in 2002 that promotes American development goals, while continuing to expand its lending to U.S. small business above 2001 levels.

Andean Initiative

Andean countries are the source of virtually all of the cocaine in the United States and an increasing share of the heroin—Colombia is the primary regional source of both. This drug trade contributes to political, economic, and social instability.

The budget includes $731 million for U.S. funding for the Andean regional initiative, which will support drug eradication, interdiction, alternative development in Colombia, Peru, Bolivia, Ecuador, and other countries in the region. (Additional funding from economic assistance accounts will augment these reforms directed toward democratic strengthening and economic growth.) This initiative will build upon the resources provided in the 2000 Emergency Supplemental Appropriations Act for Plan Colombia and ongoing regional counterdrug funding for the State Department's Bureau of International Narcotics and Law Enforcement Affairs. About 50 percent of this combined new funding will go to Peru, Bolivia, Ecuador and neighboring countries to maintain and continue their success in eradicating illegal drug crops and to prevent spillover of violence and the drug trade from Colombia. Additionally, about 50 percent of these 2002 funds will support alternative development, human rights, displaced persons, judicial reform and democratic institution building programs.

The State Department, working with other U.S. agencies, will meet the following performance goals:

- Reduce Colombian coca production by 30 percent from calendar year 2000 levels by the end of calendar year 2002.
- Eliminate all illicit coca production in Bolivia by the end of calendar year 2002.
- Negotiate revised coca and poppy control goals with the new Government of Peru after it assumes power in July 2001.

- Establish meaningful, aggressive, achievable, and quantifiable goals for counter-drug efforts in other countries in the region by August 15, 2001, to be used in carrying out programs in 2002.

International Development/Humanitarian Response

The United States has a long and proud history of providing assistance to poor countries, both to alleviate the human suffering brought on by poverty and man-made and natural disasters. U.S. assistance must also help to improve opportunities for freedom and prosperity. The United States will work with other countries to help meet the needs of the poor and vulnerable around the globe. The budget for USAID provides an increase in funding to fight the spread of HIV/AIDS and other infectious diseases. This will continue recent efforts by the United States to combat the global spread of this disease and maintain the pressure on other donors, multilateral organizations, and non-governmental organizations to make greater efforts to address a plague that threatens to undermine the economies and national security of affected countries, especially those in sub-Saharan Africa where prevalence rates often exceed 20 percent of the adult population. The budget also increases investment in such key social sectors as basic education.

In addition, the United States will continue to leverage international donor resources to promote global economic growth and reduce poverty by seeking funding for our commitments to the Multilateral Development Banks and to the Heavily Indebted Poor Country (HIPC) multilateral debt reduction initiative. These multilateral programs assist countries to reach their potential for sustainable growth through adoption of policy reforms that promote market-oriented economies, fight corruption, and improve transparency and accountability. The United States will continue to make resources available to carry out agreements under the Tropical Forest Conservation Act, which allows for restructuring debt to generate funds for conservation projects.

One aspect of debt forgiveness, however, is the coordination of that forgiveness with new lending. Four U.S. Government agencies currently have direct loan and guarantee programs that are subject to debt forgiveness initiatives. In some cases, agencies have offered new credits to a country, only to have the country qualify for debt reduction a short time later. The Administration intends to reconcile the goals of debt forgiveness and credit management in a rational manner.

Relevant agencies will meet the following performance goals for 2002:

- USAID will increase funding to support prevention and care programs that combat the HIV/AIDS pandemic.
- USAID will increase support for economic growth, leveraging private sector resources to foster agricultural development, improve the business and trade climate, expand access to basic education and increase the efficient use of energy in developing countries.
- USAID will expand conflict prevention and development relief efforts, facilitating increased support from non-governmental organizations, other private sector entities and other donors to respond to crises, and recovery and support prevention including support for democracy.
- The United States will support the HIPC initiative to reduce the debt burden of the poorest countries to more sustainable levels in return for adopting appropriate policies to reduce poverty and enhance economic growth. As part of this initiative, the Department of Treasury will fund the forgiveness of debt owed to the United States by an expected 33 qualifying countries and will provide contributions to the HIPC Trust Fund in order to finance debt reduction by multilateral institutions. The budget requests $224 million, which along with $16 million from existing balances of previously appropriated funds, will fully meet the U.S. commitment for contributions to the HIPC Trust Fund.
- Under the Tropical Forest Conservation Act (TFCA), the Department of the Treasury has restructured some of Bangladesh's debt in order to generate funds for conservation programs. Treasury expects to continue making progress on this initiative by completing agreements with two or

three additional countries in 2001 with a budget cost of approximately $13 million. In 2002, Treasury will make more funds available for further programming under TFCA, as well as up to $13 million that may be transferred from USAID.

- The State Department, through the help and advice it provides countries to clear land mines and other unexploded ordnance, will expand by 3,500 square kilometers over 2001 the amount of land available for local agricultural and other economic activity. These efforts, funded primarily by $40 million from the Nonproliferation, Anti-terrorism, Demining, and Related Programs account, will speed economic and social recovery and will reduce the casualties suffered by innocent civilians, including children.
- State, in cooperation with USAID and other relevant agencies, should make and implement recommendations based on the 2000 review of humanitarian assistance programs to improve the administration and delivery of relief.
- The Peace Corps expects to have more than 7,000 volunteers to address a variety of problems in the areas of agriculture, environment, small business, and health, including a multi-faceted initiative to fight the HIV/AIDS pandemic.

International Broadcasting

International broadcasting directly impacts the global free flow of information by providing accurate coverage of world and local events to foreign audiences with limited access to unbiased news reports. To meet the President's Government-wide performance goals for 2002, the Broadcasting Board of Governors will:

- Reduce the number of upper- and middle-level managers in each of the four broadcasting entities.
- Link budget and management decisions more closely to performance by revamping the strategic planning and performance management system that incorporates Government Performance and Results Act (GPRA) planning, the annual language service review process, and the program reviews of individual language services. By early 2002, the Broadcasting Board of Governors will produce an over arching strategic plan containing specific criteria for measuring the need for and effectiveness of individual language services and programs and explaining how they relate to one another and to overall GPRA planning. This strategy will reduce duplication among the various broadcast entities, eliminate ineffective or low-priority language services and programming, and direct resources to highest-priority, most effective languages and programming.
- By the middle of 2002, finalize and implement a uniform, agency-wide strategy for capital planning, using private contractors whenever possible, that will improve the operating efficiency and reach of its broadcast network by taking advantage of emerging technologies. Such a strategy will address the latest broadcast technologies to combat jamming and other transmission difficulties while ensuring that worldwide audiences receive broadcasts via the media they are most likely to use.
- Actively solicit the participation of private-sector firms in competitive bidding for contracts.

4. GENERAL SCIENCE, SPACE, AND TECHNOLOGY

Table 4–1. Federal Resources in Support of General Science, Space, and Technology
(In millions of dollars)

Function 250	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	19,203	20,861	21,191	21,892	22,441	22,910	23,488
Mandatory Outlays:							
Existing law	36	94	126	158	150	92	53
Tax Expenditures:							
Existing law	3,310	7,700	8,440	7,160	6,590	4,700	3,260

More than half of the Nation's economic productivity growth in the last 50 years is attributable to technological innovation and the science that supported it. Appropriately, the private sector makes the largest investments in technology development. The Federal Government, however, also plays a role. Total Federal research and development would be at an all-time high in inflation-adjusted terms if the President's proposal is approved.

Within the General Science, Space, and Technology function, the Federal Government supports areas of cutting-edge science, through the National Aeronautics and Space Administration (NASA), the National Science Foundation (NSF), and the Department of Energy (DOE). The activities of these agencies contribute to a greater understanding of the world in which we live, ranging from the edges of the universe to the smallest particles, and to new knowledge that may have immediate applications for improving our lives. Because the results of basic research are unpredictable, developing performance goals for this area presents unique challenges.

Each of these agencies funds research and contributes to the Nation's cadre of skilled scientists and engineers. As a general goal for activities in this function, at least 80 percent of the research projects will be reviewed by appropriate peers and selected through a merit-based competitive process. Another important Federal role is to construct and operate major scientific facilities and capital assets for multiple users. These include telescopes, satellites, oceanographic ships, and particle accelerators. Many of today's advances in medicine and other fields rely on these facilities. As general goals:

- agencies will keep the development and upgrade of these facilities on schedule and within budget, not to exceed 110 percent of estimates; and
- in operating the facilities, agencies will keep the operating time lost due to unscheduled downtime to less than 10 percent of the total scheduled possible operating time, on average.

The budget proposes $21.2 billion to conduct activities in support of general science, space, and technology. The Government also stimulates private investment in these activities through over $8.4 billion a year in tax credits and other preferences for research and development (R&D). With the 2002 Budget, the President proposes that the tax credit for research and experimentation be made permanent.

National Aeronautics and Space Administration (NASA)

The budget proposes $13.6 billion for NASA activities in this function. NASA serves as the lead Federal agency for R&D in civil space activities, working to expand frontiers in air and space to serve America and improve the quality of life on Earth. To carry out these activities, NASA pursues this vision through balanced investment in five enterprises: Space Science, Earth Science, Biological and Physical Research, Aero-Space Technology, and Human Exploration and Development of Space.

NASA's achievements in 2000 included: launching Terra, the first mission in the Earth Observing System series of spacecraft; discovering potential evidence of recent liquid water flows on the surface of Mars from the Mars Global Surveyor spacecraft; securing the arrival of the Shoemaker Near Earth Asteroid Rendezvous mission at the asteroid Eros, the first spacecraft ever to orbit an asteroid; and continuing successful assembly of the International Space Station in orbit.

Space Science: Space Science programs, for which the budget proposes $2.8 billion, are designed to enhance our understanding of how the universe was created, what fundamental rules govern its evolution, how stars and planets evolve and die, how space phenomena affect Earth, and the possible existence of life beyond Earth. In 2000, NASA developed and launched Hubble Servicing Mission 3A, the Imager for Magnetopause-to-Aurora Expansion mission, and contributions to the X-ray Multi-Mirror and Cluster-2 missions, with an average one-percent cost overrun. The High Energy Solar Spectroscopic Imager mission and the Thermal, Ionosphere, and Mesosphere Energetics and Dynamics mission did not launch as planned in 2000 due to spacecraft development issues and launch vehicle delays. The Mars Polar Lander mission was lost when it did not land successfully on Mars as planned in 2000. Although scheduled to launch in 2000, the High-Energy Transient Explorer mission was launched shortly after the end of the year.

For 2000, the NASA Advisory Council, an independent panel, indicated that 34 of 65 performance plan objectives and 18 of 19 science objectives for Space Science have been successfully met. In 2002:

- NASA will successfully complete its performance goal for design and development of projects to support future Space Science research. These development projects represent near-term investments that will allow future research in pursuit of the strategic plan's science objectives. Completion will be demonstrated by a successful rating from the NASA Advisory Council or an equivalent senior-level external review committee. This rating will be based on achievement of six of the eight predetermined performance objectives, four of which address launch readiness for the Space Infrared Telescope Facility, the Galaxy Evolution Explorer, the Comet Nucleus Tour mission, and the Hubble Space Telescope Servicing Mission 3B.
- NASA's annual performance goals in support of strategic plan Space Science objectives will be rated as being successfully met by NASA's Advisory Council or an equivalent senior-level external review committee. Examples of these objectives include: learn how galaxies, stars, and planets form, interact, and evolve; understand the formation and evolution of the Solar System and the Earth within it; and understand our changing Sun and its effects throughout the Solar System. Each of these performance goals calls for obtaining at least 80 percent of the expected scientific data from operating missions that support the relevant science objective.
- NASA will continue to expand the integration of education and enhanced public understanding within its Space Science research and flight mission programs. Performance objectives in support of this effort call for Space Science-funded education and public outreach activities for every funded Space Science mission, which will result in projects in at least 40 States. These projects will range from elementary schools to graduate students and postgraduates. In addition, Space Science will ensure that Enterprise-funded projects are underway in Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges.

Earth Science: Earth Science programs, for which the budget proposes $1.5 billion, focus on the effects of natural and human-induced changes on the global environment through long-term, space-based observation of Earth's land, oceans, and atmospheric processes. In 2000, NASA successfully launched five spacecraft (Terra, ACRIMSAT, the Shuttle Radar Topography Mission, and two National Oceanic and Atmospheric Administration (NOAA) weather satellites (GOES-L, NOAA-L)), and delivered four instruments to international spacecraft, with an average seven-percent cost overrun. Launches of spacecraft expected in 2001 have been delayed: Aqua until no earlier than July 2001, IceSAT until December 2001, and Triana pending shuttle availability. Users have routinely received earth science data products within five days of receipt or production of the requested data product.

The NASA Advisory Council concluded that 43 of 47 Earth Science performance targets were successfully met. In 2002:

- NASA will successfully launch and operate at least two of three planned spacecraft, IceSAT, Gravity Recovery and Climate Experiment and the Solar Radiation and Climate Experiment within 10 percent of their schedules and budgets. For those spacecraft already successfully launched, NASA Earth Science will obtain at least 80 percent of the expected scientific data;
- NASA will increase by 50 percent the volume of climate data it archives over the 2001 target of 442 terabytes, increase the number of products delivered from its archives by 10 percent over the 2001 target of 5.4 million products delivered, and make the data available to users within five days; and,
- NASA's Advisory Council will be able to rate all near-term Earth Science objectives as being met or on schedule. Examples of these objectives include: observe and document land cover and land use change and impacts on sustained resource productivity; and understand the causes and impacts of long-term climate variations on global and regional scales.

Aero-Space Technology: Aero-Space Technology programs, for which the budget proposes $1.5 billion, work with other NASA enterprises, industry, and academia to develop and test technologies that reduce risk and improve cost performance for future spacecraft and space transportation systems. In 2000, NASA initiated assembly of the X-37 flight test vehicle. The X-33 and X-34 programs did not perform flight tests as planned in 2000, due to technical problems encountered during development. Both programs have been canceled. Depending on selections, NASA will develop additional 2002 Aero-Space Technology goals based on Second Generation Reusable Launch Vehicle awards in 2001. In 2002:

- NASA will perform the rollout and begin test flights of the X-37 vehicle. This vehicle will serve as a platform on which to test and verify advanced technologies in the area of lightweight composite airframes, integrated vehicle health monitoring, and thermal protection systems.
- The Space Base program will complete working prototypes of over 40 micro-scaled and low-power electronic spacecraft and sensor components. These components can lead to future science spacecraft that are the functional equivalent or better of current spacecraft but with less than one-tenth the volume and mass.

Human Exploration and Development of Space: Human Exploration and Development of Space (HEDS) programs, for which the budget proposes $7.3 billion, focus on the use of human skills and expertise in space. In 2000, the Space Shuttle flew four successful missions, including the Hubble Space Telescope Servicing Mission 3A that replaced failing gyros on the Hubble. The Shuttle Radar Topography Mission, a joint Department of Defense/NASA payload to study the earth, successfully mapped over 98 percent of the available terrain. Two flights to the International Space Station delivered equipment and supplies to set the stage for future assembly missions and to prepare for the first Expedition crew. Improvements to the Space Shuttle system achieved an additional 10-percent increase in predicted reliability over the 1999 levels, and completed the first flight of a new upgraded cockpit. Space Shuttle operations continued to perform well and observed an average of six anomalies per flight, achieved 100

percent on-orbit mission success for primary payloads, and achieved a 12-month flight preparation cycle. The International Space Station program delivered, as planned, two-thirds of the total U.S. flight hardware to the launch site, and also conducted successful operations throughout the year. However, projected cost overruns have required a major restructuring of the program in 2002, which should control cost growth, while enabling accommodation of contributions from international partners. In 2002:

- NASA will successfully complete a majority of planned operations schedules and milestones for 2002 for the International Space Station. For example, NASA plans to conduct permanent on-orbit operations with crew support dedicated to assembly, vehicle operations, payload operations, and early research, and conduct the first Space Shuttle flight to the Space Station dedicated to research; and
- NASA will ensure that Space Shuttle safety, reliability, availability, and cost will improve, by achieving eight or fewer flight anomalies per mission, 100 percent on-orbit mission success for primary payload on-orbit operations, and a 12-month manifest preparation time. NASA will complete the implementation of the Alternate Turboprop to improve the safety of flight operations and continue safety and supportability upgrades to maintain Space Shuttle infrastructure.

Biological and Physical Research: NASA's Biological and Physical Research programs, for which the budget proposes $380 million, focus on basic and applied research to support the safe and effective human exploration of space, as well as the use of the space environment as a laboratory for increasing our understanding of biological, physical, and chemical processes. In 2000, the Biological and Physical Research Enterprise was created as a separate entity from the HEDS Enterprise to provide a greater focus on biological and physical research. The new Office of Biological and Physical Research (OBPR) and its predecessor organization, the Office of Life and Microgravity Sciences and Applications, conducted significant commercial research on the May Space Shuttle mission to the Space Station, and inaugurated the Space Station research era by conducting the first long-duration experiment on the International Space Station. In 2002:

- OBPR will continue to build a productive scientific community to utilize its space assets, expanding agency support to approximately 1,000 scientific investigations (from 877 reported in 1999); and
- NASA will collaborate with the National Cancer Institute to develop and test cutting-edge methods and instruments to support molecular-level diagnostics for physiological and chemical processes monitoring.

Management Reform Goals

To fulfill the President's commitment to make Government more market-based, NASA will pursue management reforms to promote innovation, open Government activities to competition, and improve the depth and quality of NASA's R&D expertise. These reforms, described below, will help reduce NASA's operational burden and focus resources on Government-unique R&D at NASA.

- ***International Space Station.*** NASA will undertake reforms and develop a plan to ensure that future Space Station costs will remain within the President's 2002 Budget plan. Key elements of this plan will: restore cost estimating credibility, including an external review to validate cost estimates and requirements and suggest additional options as needed; transfer Space Station program management reporting from the Johnson Space Center in Texas to NASA Headquarters until a new program management plan is developed and approved; and open future Station hardware and service procurements to innovation and cost-saving ideas through competition, including launch services and a Non-Government Organization for Space Station research.
- ***Space Shuttle Privatization.*** NASA will aggressively pursue Space Shuttle privatization opportunities that improve the Shuttle's safety and operational efficiency. This reform will include continued implementation of planned and new privatization efforts through the Space Shuttle

prime contract and further efforts to safely and effectively transfer civil service positions and responsibilities to the Space Shuttle contractor.

- ***Space Launch Opportunities.*** NASA's Space Launch Initiative provides commercial industry with the opportunity to meet NASA's future launch needs, including human access to space, with new launch vehicles that promise to dramatically reduce cost and improve safety and reliability. NASA will undertake management reforms within the Space Launch Initiative, including: ensuring vehicle affordability and competitiveness by limiting requirements to essential needs through commercial services; creating requirements flexibility, where possible, to accommodate innovative industry proposals; validating requirements through external, independent review; implementing a well-integrated risk-reduction investment strategy that makes investments only after requirements and vehicle options are well-understood, to ensure a viable competition by the middle of the decade for initial Station cargo and crew launch services; ensuring no set-aside funds for non-industry vehicles like the Space Shuttle; and achieving affordable, near-term successes in Next Generation Launch Services and Alternative Access to the Space Station and integrating these near-term activities into longer-term planning.
- ***Critical Capabilities.*** U.S. academia and industry provide a rich R&D resource that NASA can tap to strengthen its mission capabilities. NASA will develop an integrated, long-term agency plan that ensures a national capability to support NASA's mission by: identifying NASA's critical capabilities and, through the use of external reviews, determining which capabilities must be retained by NASA and which can be discontinued or led outside the agency; expanding collaboration with industry, universities and other agencies, and outsourcing appropriate activities to fully leverage outside expertise; and pursuing civil service reforms for capabilities that NASA must retain, to ensure recruitment and retention of top science, engineering and management talent at NASA.

National Science Foundation (NSF)

Under the President's plan, between 2000–2002, NSF's budget will grow by 15 percent to $4.5 billion. This significant increase is consistent with the President's support for increasing the Federal investment in basic R&D, and funding NSF as the primary agency for supporting peer-reviewed, competitively awarded, long-term, high-risk research conducted through our Nation's university systems. For 2003, the Administration will undertake a budgetary review to determine how best to support the NSF's budget in a sustained manner over time.

While NSF represents just three percent of Federal R&D spending, it supports nearly half of the non-medical basic research conducted at academic institutions, and provides 30 percent of Federal support for mathematics and science education.

NSF research and education investments are made in three primary areas:

People: Activities to facilitate development of a diverse and talented work force of scientists, engineers, and well-prepared citizens account for more than 20 percent of NSF's budget. In 2002, NSF will invest $1.0 billion in this area. NSF supports formal and informal science, mathematics, engineering and technology education at all levels, including multidisciplinary education and training for graduate students. In addition, resources support projects to develop curriculum, enhance teacher professional development, and provide educational opportunities for students from pre-K through postdoctoral work. In 2000, the three major systemic efforts implemented mathematics and science standards-based curricula in 6,348, or over 80 percent, of the 7,630 participating schools. NSF awards provided intensive professional development to a total of 89,723 teachers, substantially exceeding the performance goal of 65,000. For 2002, NSF will begin the President's $200 million Math and Science Partnership initiative.

- In 2002, at least half of the States will activate partnerships with institutions of higher education aimed at strengthening K-12 math and science education through the President's Math and Science Partnership initiative. These partnerships can

involve local school districts and will address issues such as preparation and professional development of math and science teachers, implementation of high standards for math and science, and address gaps in performance between majority and minority and disadvantaged students.

Ideas: Approximately one-half of NSF's resources support research projects performed by individuals, small groups, and centers. In 2002, NSF will invest $2.2 billion in this area.

- In 2002, results over the period studied will demonstrate significant achievement for the majority of the following indicators: important discoveries; a robust fundamental knowledge base; connections between discovery and learning, innovation, or societal advancement; partnerships that enable the flow of ideas among academic, public or private sectors; and leadership in fostering newly developing or emerging areas. NSF's performance will be determined by aggregating the performance indicator assessments provided by independent external committees of experts.

Tools: NSF will invest $1.0 billion in this area to provide state-of-the-art shared tools for research and education, such as instrumentation and equipment, multi-user facilities, accelerators, telescopes, research vessels and aircraft, and earthquake simulators. In addition, resources will support large databases as well as computation and computing infrastructures for science, engineering, or education. Nearly a quarter of NSF's budget is targeted to providing the tools required for cutting-edge research.

- In 2002, NSF facilities will continue to meet the function-wide goals to remain within cost and schedule.

Management Goals

NSF has identified management and investment process goals to address the efficiency and effectiveness of administrative activities, and to focus on the means and strategies to achieve its outcome goals. In 2002:

- at least 85 percent of basic and applied research funds will be allocated to projects that undergo merit review;
- for 70 percent of proposals, NSF will be able to inform applicants within six months of receipt whether their proposals have been declined or recommended for funding. In 2000, NSF processed 54 percent of proposals within six months; and
- NSF will increase the average annualized award size for research projects to $111,000, compared to a goal of $109,000 in 2001.

Management Reforms

To fulfill the President's commitment to make Government more results-oriented, NSF will undertake management reforms, focusing on performance and results.

- ***Study Reorganizing Research in Astronomy and Astrophysics:*** NSF and NASA provide more than 90 percent of Federal funds for academic astronomy research and facilities. Historically, NASA has funded space-based astronomy and NSF has funded ground-based astronomy, as well as astronomy research proposals. Several changes have evolved which suggest that now is the time to assess the Federal Government's management and organization of astronomical research. NSF and NASA will establish a Blue Ribbon Panel to assess the organizational effectiveness of Federal support of astronomical sciences and, specifically, the pros and cons of transferring NSF's astronomy responsibilities to NASA. The panel may also develop alternative options. This assessment will be completed by September 1, 2001.
- ***Document the Efficiency of the Research Process.*** NSF asserts that the current size of its grants and their duration might be resulting in an inefficient research process at U.S. academic institutions. Researchers might be spending too much time writing proposals instead of doing actual research. NSF has increased grant size and duration in previous years, particularly through its priority research areas; however, there is little documentation that this is having a positive impact on research output. With the assistance of U.S. academic research institutions, NSF will develop metrics to measure the

efficiency of the research process and determine the "right" grant size for the various types of research the agency funds. These metrics and grant size determination will be developed in time for consideration of the 2003 NSF budget request.

- ***Enhance NSF Capability to Manage Large Facility Projects.*** NSF has several multi-year, large facility projects awaiting approval for funding. NSF will enhance its capability to manage proposed projects, given the magnitude and costs of future projects. NSF will develop a plan for costing, approval, and oversight of major facility projects, and also will enhance its capability to estimate costs and provide oversight of project development and construction.
- ***Improve NSF's Ability to Administer and Manage its Program Activities.*** Although NSF has had robust increases in its program responsibilities and budgets in the past decade, funding for administration and management has remained relatively flat. NSF has been able to keep pace with the increased workload by investing in information technology. Both the NSF Inspector General and the NSF Management Controls Committee have expressed concern about the adequacy of staffing at a time when the agency is facing turnover and recruitment problems and management of more complex programmatic activities. They also raise concerns with systems and data management. NSF will develop a five-year strategic plan for the work force and information technology needs of the agency in time for consideration of the 2003 Budget.

Department of Energy (DOE)

The budget proposes $3.2 billion in 2002 for DOE science programs and supporting activities. DOE's Office of Science is one of the Nation's leading source of support for basic research in the physical sciences, conducting research at universities and the national laboratories. DOE also operates major scientific facilities including particle accelerators, magnetic confinement fusion reactors, synchrotron light sources, neutron sources, supercomputers, and high-speed networks that researchers use in fields ranging from the physical and materials sciences to the biomedical and life sciences. These facilities are available, on a competitive basis, to scientists and engineers in universities, industry, and other Federal agencies.

Basic Energy Sciences: The budget proposes $1.0 billion for Basic Energy Sciences (BES), which supports basic research in materials science, chemistry, engineering, geoscience, plant biology, and microbiology. As part of its mission, BES plans, constructs, and operates major scientific user facilities. In 2000, Los Alamos National Laboratory's Lujan Neutron Scattering Center delivered only 79 percent of scheduled operating time, missing its target of no more than 10 percent unscheduled downtime. A recent review found the Lujan Center staff to be seriously over-committed. In 2002:

- DOE will meet the cost and schedule milestones for construction and upgrade of scientific user facilities as confirmed by regular external independent reviews. Major ongoing projects include construction of the Spallation Neutron Source (a powerful tool to explore materials structure and properties) and an upgrade of the SPEAR3 storage ring at the Stanford Synchrotron Radiation Laboratory; and
- DOE science programs will significantly increase their funding for basic research on renewable sources of energy, to advance cost-effective means to further diversify the Nation's energy supply.

Advanced Scientific Computing Research: The budget proposes $166 million for Advanced Scientific Computing Research, which supports applied mathematics, computer science, and networking research, and operates supercomputer, networking and related facilities to enable the analysis, simulation, and prediction of complex physical phenomena.

- By the end of 2002, DOE will review the Integrated Software Infrastructure Centers, newly established in 2001, to ensure effective coupling of these centers to scientific application pilot projects and teams funded throughout the Office of Science.

Biological and Environmental Research: The budget proposes $443 million for Biological and Environmental Research, which supports basic research to identify, understand, and anticipate the long-term health and environmental consequences of energy production, development, and use. In addition to its accomplishments in genomics, DOE plays a major role in understanding the global carbon cycle.

- In 2002, DOE will develop and test a fully-coupled climate model that integrates the atmosphere with the ocean, land, and sea ice, with higher spatial resolution than is presently available; and
- By the end of 2002, the DOE Joint Genome Institute DNA sequencing will complete the high quality DNA sequence of human chromosomes 5 and 19 and produce six million base pairs of DNA sequence from model organisms to help understand the human sequence.

High Energy and Nuclear Physics: The budget proposes $1.1 billion for High Energy and Nuclear Physics, which strives to understand the nature of matter and energy in terms of the most elementary particles and forces, and to more completely explain the structure and interactions of atomic nuclei.

- In 2002, DOE will capitalize on its opportunities to discover the particle that gives rise to mass, to search for physics not adequately described by the Standard Model, and to confirm and characterize neutrino oscillations and neutrino mass.

Fusion Energy Sciences: The budget proposes $238 million for DOE's Office of Fusion Energy Sciences, which conducts research to advance plasma science, fusion science, and fusion technology. DOE will continue to reorient its fusion program to focus on developing the scientific understanding necessary to support fusion as a practical energy source.

- In 2002, DOE will study feedback stabilization as means to control disruptive plasma oscillations in the recently upgraded DIII–D fusion reactor.

Tax Incentives

Along with direct spending on R&D, the Federal Government has sought to stimulate private investment in these activities with tax preferences. The current law provides a 20-percent tax credit for private research and experimentation (R&E) expenditures above a certain base amount. The credit, which expired in 1999, was retroactively reinstated for five years, to 2004, in the Tax Relief Extension Act of 1999. The budget proposes to make the R&E tax credit permanent. It will cost $9.9 billion from 2002 to 2006 (see Table S–10).

A permanent tax provision also lets companies deduct, up front, the costs of certain kinds of R&E, rather than capitalize these costs. This tax expenditure will cost $1.7 billion in 2002. Finally, equipment used for research benefits from relatively rapid cost recovery. The cost of this tax preference is calculated in the tax expenditure estimate for accelerated depreciation of machinery and equipment.

5. ENERGY

Table 5–1. Federal Resources in Support of Energy
(In millions of dollars)

Function 270	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	2,706	3,095	2,773	2,869	3,100	3,199	3,299
Mandatory Outlays:							
Existing law	–4,019	–3,701	–3,296	–3,150	–3,704	–3,626	–3,582
Credit Activity:							
Direct loan disbursements	1,423	1,896	2,246	2,461	2,735	2,817	2,907
Guaranteed loans	152	52	105	100	100	100	100
Tax Expenditures:							
Existing law	2,030	2,100	2,120	1,930	1,620	1,770	1,890

Federal energy programs contribute to energy security, economic prosperity, and environmental protection. Funded mainly through the Energy Department (DOE), they range from protecting against disruptions in petroleum supplies, to conducting research on renewable energy sources, to cleaning up DOE facilities contaminated by years of nuclear-related research activities. The Administration proposes to spend nearly $2.8 billion for these programs. In addition, the Federal Government allocates about $2.1 billion a year in tax benefits, mainly to encourage development of traditional and alternative energy sources.

The Federal Government has a longstanding and evolving role in energy. Most Federal energy programs and agencies have no State or private counterparts. The federally-owned Strategic Petroleum Reserve, for instance, protects against supply disruptions and the resulting price shocks. DOE's applied research and development (R&D) programs in fossil, nuclear, solar/renewable energy, and energy conservation are intended to speed the development of technologies to use energy more cleanly or efficiently, often through cost-shared partnerships with industry.

Energy Reserves

Strategic Petroleum Reserve (SPR): DOE maintains SPR to protect against petroleum supply disruptions and reduce the economic impact of any disruptions. SPR was authorized in 1975, in response to the oil embargoes of the early 1970s. The Reserve now holds 541 million barrels of crude oil in underground salt caverns at four Gulf Coast sites. SPR helps protect the economy and provide flexibility for the Nation's foreign policy in case of a severe energy supply disruption.

In 2001, the two-million barrel Northeast Home Heating Oil Reserve was established. Operated by the private sector, the Reserve helps ensure adequate supplies of heating oil in the event that colder than normal winters occur in the Northeastern United States. The President has committed to continue support for the Reserve.

- In 2002, DOE will maintain its capability to reach a SPR drawdown rate of about four million barrels a day within 15 days and to maintain that rate for at least 90 days.

Applied R&D

DOE's energy R&D investments cover a broad array of resources and technologies to make the production and use of all forms of energy, including solar and renewables, fossil, and nuclear, more efficient and more environmentally sound. The applied R&D programs fund research at DOE's national labs and engage in a variety of partnerships with industry for technology development and deployment.

Energy Conservation: DOE's energy conservation programs, for which the budget proposes $795 million, are designed to improve the fuel economy of various transportation modes, increase the productivity of our most energy-intensive industries, and improve the energy efficiency of buildings and appliances. They also include grants to States to fund energy-efficiency programs and low-income home weatherization. The weatherization program is slated for a significant increase in 2002, as part of the President's commitment to increase funding for the program by $1.4 billion over 10 years. Each of these activities benefits our economy and the environment. Many rely on partnerships with the private sector for cost-sharing and commercialization.

In 2002:

- The world's first automotive-scale (50 kilowatt, (kW)), fully integrated, gasoline-powered fuel-cell system will be delivered by a contractor to the DOE test facility at Argonne National Laboratory. Validation of low-cost ($10/kW) fuel-cell technology will be completed.
- Initial testing will be completed on light trucks with advanced diesel engines that provide a 35 percent improvement in fuel economy while meeting Tier 2 emissions standards.
- The Office of Industrial Technologies will continue R&D partnerships with energy-intensive industries, resulting in an estimated additional $200 million energy savings and productivity gain.
- Local recipients of DOE Weatherization Assistance program grant funds will weatherize approximately 116,000 low-income homes, improving their energy efficiency, and safety, and reducing the residents' energy bills. This is an increase of approximately 51,000 homes over 2001.

Solar and Renewable Resources: Solar and renewable resources programs focus on technologies that will help the Nation use its renewable resources such as wind, solar, and biomass to produce energy. The United States is the world's technology leader in wind energy, with a growing export market and production costs that have fallen dramatically. In addition, photovoltaics (PV) are becoming more useful in remote power applications, and new biofuels plants are being constructed.

Solar and renewable energy will benefit from the Administration's legislative proposal to open a small part of the Arctic National Wildlife Refuge (ANWR) to oil and gas leasing and production. This process will generate bidding bonuses for the Federal government estimated at $1.2 billion, to become available in 2004, which will be made available over a series of years to increase the funding for solar and renewable energy technologies.

In 2002:

- A 100 kW cold-weather wind-turbine, winner of an "R&D 100" award in 2000, will begin experimental operation and testing in an Alaskan village. These turbines are expected to provide reliable power options for small villages and remote installations in extremely harsh arctic environments.
- DOE's biofuels program will complete development of a yeast that can ferment most biomass-derived sugars to meet the cost goals for production of ethanol from cellusic feedstocks.
- The PV program will develop a 17-percent efficient cadmium-telluride thin-film PV cell. This laboratory achievement will be about seven percent more efficient than the best available commercial thin-film PV units of any type.
- The biopower program will complete technical feasibility testing of using closed-loop, short-rotation wood (fast-growing willows) as a dedicated fuel source for power generation at two retrofitted coal power plants in New York State.

Electric Energy Systems: These activities are managed by DOE's Office of Energy Efficiency and Renewable Energy. The programs focus on technical advances in electricity transmission and storage and on the efficiency and reliability of the Nation's electrical grid. The largest activity is in high-temperature superconductivity R&D, which can greatly increase the efficiency of generators and heavy electrical machinery, and dramatically increase the carrying capacity of high-voltage transmission lines.

- In 2002, operational testing will be completed on the world's first commercial-service superconducting utility power cable. This single cable has four times the electrical capacity of the copper cable it replaced, and will supply power to 14,000 residents in a Detroit neighborhood.

Fossil Energy R&D: Fossil fuel energy R&D programs, for which the budget proposes $449 million, help industry develop advanced technologies to produce and use coal, oil, and gas resources more efficiently and cleanly. Federally-funded development of clean, highly-efficient gas-fired and coal-fired generating systems aims to reduce gas emission rates, while reducing electricity costs compared to currently available technologies. These programs also include efforts to discover effective, efficient, and economical means of sequestering carbon dioxide. In the past, the oil and gas program has funded research on activities that had already been commercialized by the private sector. The budget targets funds to projects that will not compete with private sector investment and will improve the longer-term technologies to foster increased, environmentally sound, domestic energy production.

Through a new $150 million Clean Coal Power initiative, the Department will create an industry consortium to direct research toward the most critical barriers to expansion of coal use for power generation in the United States. This cooperative effort, totaling more than $2 billion over 10 years, will require industry to share in the cost of the research work, with the industry share increasing as technologies approach commercial stages. Participating companies will be asked to take part in selection of technologies and evaluate the progress of R&D efforts, with the goal of accelerating development and deployment of coal technologies that will economically meet environmental standards.

In 2002, DOE will:

- develop a new consortium of coal companies, utilities, and generating equipment vendors to direct coal research toward the most important problems faced by the entire industry;
- complete technology evaluations to make available, by 2003, advanced control technologies seeking to achieve cost competitive, deep nitrogen oxides (NOx) reductions in power plant flue gas emissions in response to the Clean Air Act standards, at 25 percent lower cost than available technology; and
- conduct integrated research and field demonstrations of carbon dioxide (CO_2) sequestration in deep, unminable coal seams and depleted oil reservoirs and develop sufficient data to determine reservoir integrity and fate of injected CO_2. If the CO_2 does not escape the formations where it is injected, a safe and economical method of disposal might be developed based on this knowledge.

Nuclear Energy R&D: Twenty percent of our Nation's electricity and about 17 percent worldwide is made today with nuclear power plants. R&D addressing the issues that threaten the acceptance and viability of nuclear fission in the United States will help determine whether nuclear fission can continue to supply increasing amounts of economically-priced energy while reducing emissions.

In 2002, DOE will:

- continue peer-reviewed, competitively-selected R&D projects that address nuclear energy's cost-effectiveness and acceptability, including plant economics, operational safety, proliferation, and waste disposal;
- maintain the advanced radioisotope power system program and facility operations and capabilities for current and future space and national security missions, and explore fission power systems to support future human exploration of space;

- manage its resources and capabilities at Nuclear Energy (NE) managed sites to ensure that the Department can meet its mission requirements, that the NE sites are maintained in a safe, secure, environmentally-compliant and cost-effective manner, and ensure the protection of the workers, the public, and the environment; and
- continue to provide, through the isotope program, a supply of radioactive and stable isotopes for medical and other research.

Environmental Quality

Environmental Management: For the Non-Defense Environmental Management and Uranium Facilities Maintenance and Remediation programs, the budget proposes $592 million to manage part of the Nation's most complex environmental cleanup program, the result of more than five decades of research and production of nuclear energy technology and materials. This will reduce environmental risk and manage the waste at: 1) sites run by DOE's predecessor agencies; 2) sites contaminated by uranium and thorium production from the 1950s to the 1970s; 3) DOE's inactive uranium processing facilities; and 4) the Paducah Gaseous Diffusion Plant operated by the United States Enrichment Corporation. (For information on DOE's Defense Environmental Management program and performance measures, see Chapter 2, "National Defense.")

Office of Civilian Radioactive Waste Management

This office is responsible for ensuring the safe, geologic disposal of radioactive wastes from civilian and defense uses. The budget increases funding for DOE's Civilian Radioactive Waste Management Program in order to help the program stay on schedule toward a formal Site Recommendation in 2002, and a formal License Application at the end of calendar year 2003. In addition, the budget request will enhance the program's effort to achieve a competitive design effort, leading to a robust license application. This design effort will include: 1) an analysis of concepts that span the full range of repository operating conditions, and 2) the development of modular concepts that will lead to outyear budgetary savings for the program.

In addition, the Administration supports efforts to use the nuclear utilities' budgetary receipts for their intended purposes. DOE will submit to Congress an updated report regarding alternative approaches to finance and manage the program by June 30, 2001, as directed by the House report language accompanying the 2001 Energy and Water Development Appropriations Act. DOE will identify in this report models of effective organizations that might benefit the operation of its civilian program.

Energy Production and Power Marketing

Power Marketing Administrations: The Federal Government operates programs that produce, distribute, and finance electric power. The four Federal Power Marketing Administrations, or PMAs, (Bonneville, Southeastern, Southwestern, and Western) market electricity generated at 131 multi-purpose Federal dams and related facilities, and manage more than 33,000 miles of federally-owned transmission lines in 34 States. The PMAs sell about five percent of the Nation's electricity, primarily to preferred customers such as counties, cities, and publicly-owned utilities. The PMAs face growing challenges as the electricity industry moves toward open, competitive markets.

- In 2002, each PMA's goal is to operate its transmission system to ensure that service is continuous, reliable, and balanced—that is, that the system achieves a "pass" rating each month under the North American Electric Reliability Council performance standards. These measures are used industry-wide and indicate the reliability and quality of power provided by utilities.

Tennessee Valley Authority (TVA): TVA is a Federal Government corporation and one of the five largest electric power companies in the country. It generates three percent of the Nation's electric power and transmits that power over its 17,000-mile transmission network to 158 municipal utilities and rural electric cooperatives that serve eight million people in seven States. TVA also promotes economic activity in the area it serves by operating a complex river management system that

provides navigation, flood control, hydropower, water supply, and recreation services.

The Nation's electric power industry is changing so that customers benefit from competition in the industry. To prepare for that change, TVA is cutting its costs wherever possible. In the past four years, TVA has paid down its outstanding debt by over $1.7 billion, roughly six percent.

In 2002, TVA will:

- reduce its debt by an estimated $260 million; and
- keep the navigable waterway TVA manages on the Tennessee River open to commercial traffic 99 percent of the time, up from the 94 percent level TVA achieved in 2000.

Rural Utilities Service: In 2002, the Agriculture Department's Rural Utilities Service (RUS) will make $2.6 billion in direct and guaranteed loans to rural electric cooperatives, public bodies, nonprofit associations, and other utilities in rural areas for generating, transmitting, and distributing electricity. Its main goal is to finance modern, affordable electric service to rural communities. Included within this funding is $100 million loans originated by the private sector and guaranteed by RUS, which will help rural utility borrowers better position themselves in a competitive, deregulated environment. RUS will also make $495 million in direct loans to companies providing telecommunications services to rural communities, and $27 million in grants and $400 million in loans for distance learning, telemedicine, and broadband technology. RUS borrowers continue to provide service in some of the poorest counties in rural America and to the majority of counties suffering from recent population out-migration.

In 2002, RUS will:

- upgrade 187 rural electric systems, which will benefit over 2.8 million customers and create or preserve approximately 60,000 jobs;
- provide more than 50 telecommunication systems with funding for advanced telecommunications services benefiting more than 300,000 rural customers by providing broadband and high-speed Internet access; and
- provide distance learning facilities to 300 schools, libraries, and rural education centers, and telemedicine equipment to 150 rural health care providers, benefiting millions of residents in rural America.

Energy Regulation

The Federal Government's regulation of energy industries is designed to protect public health, achieve environmental and energy goals, and promote fair and efficient interstate energy markets.

Appliance Efficiency Rules: DOE specifies minimum levels of energy efficiency for major home appliances, such as water heaters, air conditioners, and refrigerators, and for commercial-scale heating and cooling components. The initial efficiency standards were established in legislation, and DOE periodically issues rules to revise those standards or to create standards for new categories of equipment.

- In 2002, DOE will issue a final rule for residential air conditioning products for specialized applications, and will begin rulemakings for residential furnaces and boilers, commercial air conditioning products, and electrical distribution transformers—all of which are scheduled to be completed by the end of 2004.

Federal Energy Regulatory Commission (FERC): FERC, an independent agency within DOE, regulates the transmission and wholesale prices of electric power, including non-Federal hydroelectric power, and the transmission of oil and natural gas by pipeline in interstate commerce. FERC promotes competition in the natural gas industry and in wholesale electric power markets.

In 2002, in order to promote competitive, well-functioning energy markets, FERC will measure the response of prices to external conditions in natural gas and electricity, the level of price volatility and changes in price volatility in electricity and gas, and the correlation of commodity prices across regions.

Nuclear Regulatory Commission (NRC): NRC, an independent agency, regulates the Nation's civilian nuclear reactors, the medical and industrial use of nuclear materials and their safeguards, and the disposal of nuclear waste to ensure adequate protection of the public health and safety, to promote the common defense and security, and to protect the environment. NRC international activities support U.S. interests in nonproliferation and the safe and secure use of nuclear materials in other countries. To meet the challenges of a restructured and deregulated electric utility industry, NRC is committed to adopting a more risk-informed and performance-based approach to regulation. This regulatory framework will focus NRC and licensee resources on the most safety-significant issues, while providing flexibility in how licensees meet NRC requirements.

The budget increase accommodates the increasing demand NRC is facing to renew nuclear power plant licenses for an additional 20 years of plant operations, approve reactor license transfers associated with electricity industry restructuring, and support industry initiatives to increase the Nation's electricity supply. In addition, the budget proposes to reduce the burden on licensees to pay fees for NRC expenses that do not provide a direct benefit to them. In 2002, the NRC will recover approximately 96 percent of its total costs through licensee fees, and this will decline to 90 percent by 2005.

In 2002:

- NRC's nuclear reactor strategic goal is to prevent radiation-related deaths and illnesses, promote the common defense and security, and protect the environment in the use of civilian nuclear reactors;
- NRC's nuclear materials strategic goal is to prevent radiation-related deaths and illnesses, promote the common defense and security, and protect the environment in the use of source, by-product, and special nuclear material; and
- NRC's nuclear waste strategic goal is to prevent significant adverse impacts from radioactive waste to the current and future public health and safety and the environment, and promote the common defense and security.

Management and Procurement Reform

Program and contract management at DOE is a priority management objective of the Administration because more than 90 percent of the Department's budget is spent on contracts to operate its facilities. DOE has made insufficient use of competitive, performance-based contracts, and the Administration will increase the use of such contracts for DOE in 2002.

Industry cost-sharing requirements in DOE's applied R&D programs have not been uniformly implemented, and in some programs as few as 20 percent of the projects obtain any cost-sharing. In 2002, DOE's applied energy R&D programs will be implementing a rigorous and consistent cost-sharing policy that applies to all contracts, grants, cooperative agreements, or other funding mechanisms for industry-performed R&D. The cost-sharing policy will provide for an absolute minimum requirement for industry cost-sharing in any project, with graduated steps based on technological maturity and risk, up to a requirement for more than 50 percent cost-sharing for demonstration or commercialization activities. The policy will also include explicit consideration of factors such as estimated time to a commercialization decision, technical progress and change in risk as a result of previous funding phases, and existence of external incentives for industry to perform similar work.

More aggressive and consistent cost-sharing will reduce corporate subsidies, free up funds for other priority projects, and create an internal incentive for industry to terminate projects that are not making adequate progress or are not meeting performance goals.

DOE will also better define its performance measures across the Department, and particularly in its R&D programs. In the past, some performance measures were outside the scope of the Department's influence and gave a distorted vision of the role of the Government and its ability to affect outcomes (e.g., "Ensure a competitive electricity industry is in place that can deliver adequate and affordable supplies with reduced environmental

impact.") Future performance measures will better match the strategic goals identified by DOE.

Tax Incentives

Federal tax incentives are mainly designed to encourage the domestic production or use of fossil and other fuels, and to promote the vitality of our energy industries and diversification of our domestic energy supplies. The largest existing incentive lets certain fuel producers cut their taxable income as their fuel resources are depleted. An income tax credit helps promote the development of certain non-conventional fuels. It applies to oil produced from shale and tar sands, gas produced from a number of unconventional sources (including coal seams), some fuels processed from wood, and steam produced from solid agricultural byproducts. Another tax provision provides a credit to producers who make alcohol fuels—mainly ethanol—from biomass materials. The law also allows a partial exemption from Federal gasoline taxes for gasolines blended with ethanol.

Provide Tax Credit for Residential Solar Energy Systems: Current law provides a 10-percent investment tax credit to businesses for qualifying equipment that uses solar energy to generate electricity, to heat or cool or provide hot water for use in a structure, or to provide solar process heat. No credit is available for non-business purchases of solar energy equipment. The Administration proposes a new tax credit for individuals that purchase solar energy equipment used to generate electricity (PV equipment) or heat water (solar water heating equipment) for use in a dwelling unit. The credit would be available only for equipment used exclusively for purposes other than heating swimming pools. The credit would be equal to 15 percent of the cost of the equipment and its installation. The credit would be nonrefundable and the lifetime maximum credit allowed to an individual would be limited to $2,000 for PV equipment and $2,000 for solar water heating equipment. The credit would apply only to solar water heating equipment placed in service after December 31, 2001, and before January 1, 2006, and to PV systems placed in service after December 31, 2001, and before January 1, 2008.

Extend and Modify the Tax Credit for Producing Electricity from Certain Sources: Current law provides taxpayers a 1.5-cent-per-kilowatt-hour tax credit, adjusted for inflation after 1992, for electricity produced from wind, closed-loop biomass (organic material from a plant grown exclusively for use at a qualified facility to produce electricity), and poultry waste. The electricity must be sold to an unrelated third party and the credit is limited to the first 10 years of production. The current credit applies only to facilities placed in service before January 1, 2002. The Administration proposes to extend the credit for electricity produced from wind and biomass to facilities placed in service before January 1, 2005. In addition, eligible biomass sources would be expanded to include certain biomass from forest-related resources, agricultural sources, and other specified sources. Special rules would apply to biomass facilities placed in service before January 1, 2002. Electricity produced at such facilities from newly eligible sources would be eligible for the credit only from January 1, 2002, through December 31, 2004, and at a rate equal to 60 percent of the generally applicable rate. Electricity produced from newly eligible biomass co-fired in coal plants would also be eligible for the credit only from January 1, 2002, through December 31, 2004, and at a rate equal to 30 percent of the generally applicable rate.

Modify Treatment of Nuclear Decommissioning Funds: Under current law, deductible contributions to nuclear decommissioning funds are limited to the amount included in the taxpayer's cost of service for ratemaking purposes. For deregulated utilities, this limitation may result in the denial of any deduction for contributions to a nuclear decommissioning fund. The Administration proposes to repeal this limitation. Also under current law, deductible contributions are not permitted to exceed the amount the IRS determines to be necessary to provide for level funding of an amount equal to the taxpayer's post-1983 decommissioning costs. The Administration proposes to permit funding of all decommissioning costs (including pre-1984 costs) through deductible contributions. The IRS would continue to determine the amount necessary to provide for level funding of the taxpayer's decommissioning costs. The

Administration also proposes to permit a nuclear decommissioning fund to receive transfers from certain funds that do not qualify as nuclear decommissioning funds for Federal tax purposes (nonqualified funds). Under this proposal, a taxpayer would be permitted to transfer amounts that have been irrevocably set aside in a nonqualified fund pursuant to the requirements of a State or Federal agency exclusively for the purpose of funding the decommissioning of the nuclear power plant. Any portion of the amount transferred that exceeds the amount deducted (or excluded from the taxpayer's gross income) on account of transfers to the nonqualified fund would be allowed as a deduction ratably over the remaining useful life of the nuclear power plant. These proposals would be effective for taxable years beginning after December 31, 2001.

6. NATURAL RESOURCES AND ENVIRONMENT

Table 6–1. Federal Resources in Support of Natural Resources and Environment
(In millions of dollars)

Function 300	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	24,646	28,687	26,401	27,020	27,587	27,630	27,418
Mandatory Outlays:							
Existing law	37	–213	–83	107	249	123	136
Proposed legislation	....	....	–10	–69	–20	42	78
Credit Activity:							
Direct loan disbursements	21	33	29	27	28	28	29
Guaranteed loans	....	....	50	100	50	....	....
Tax Expenditures:							
Existing law	1,520	1,550	1,630	1,710	1,820	1,920	2,020

The Federal Government plans to spend over $26 billion in 2002 to protect the environment, manage Federal land, conserve resources, provide recreational opportunities, and construct and operate water projects. The Federal Government manages about 700 million acres—a third of the U.S. continental land area.

The Natural Resources and Environment function reflects most Federal support for natural resources and the environment, but does not include certain large-scale environmental programs, such as the environmental clean-up programs at the Departments of Energy and Defense. (See Chapter 2, "National Defense" and Chapter 5, "Energy.") This function does not include many other initiatives that help protect the environment, including energy conservation and tax credits for using non-conventional energy sources. (See Chapter 5, "Energy," for more details.)

Within the Natural Resources and Environment function, Federal efforts focus on providing cleaner air and water, conserving natural resources, and cleaning up environmental contamination. The major purposes of this function include:

protecting human health and safeguarding the natural environment;

restoring and maintaining the health of federally-managed lands, waters, and renewable resources; and

providing recreational opportunities for the public to enjoy natural and cultural resources.

Federal lands include the 384 units of the National Park System; the 156 National Forests; the 530 refuges in the National Wildlife Refuge System; and the 264 million acres of public lands managed by the Bureau of Land Management (BLM), mainly in Alaska and 11 Western States.

Land and Water Conservation Fund

The budget allocates $900 million from the Land and Water Conservation Fund (LWCF) to acquire and conserve lands in national parks, forests, refuges, and public lands, and provide grants to States for broad conservation and outdoor recreation purposes.

The National Park Service will provide $450 million in 2002 for LWCF matching grants to States in support of State and local conservation, wildlife protection, and outdoor recreation efforts. In 2002, two new programs aim to establish positive incentives for private landowners and local communities to protect imperiled species and restore habitat: $50 million in matching grants will help States establish Landowner Incentive Programs to help private landowners protect imperiled species, and $10 million will establish a Private Stewardship Grant Program to provide funding for private conservation activities.

- In 2002, the Department of the Interior's (DOI's) and U.S. Department of Agriculture's (USDA's) Federal LWCF program will increase the number of easement acquisitions, rather than just fee simple acquisitions, and increase the involvement of communities as DOI and USDA consider acquiring lands or interests in lands for national parks, forests, refuges, and public lands.

National Parks

The Federal Government spends over $2 billion a year to maintain a system of national parks that covers over 83 million acres in 49 States, the District of Columbia, and various territories. Discretionary funding for the National Park Service (NPS) has steadily increased (almost five percent a year since 1986) and recreation demonstration and concession fee receipts have grown to about $150 million in 2000. Yet, the popularity of national parks has also generated growth in the number of visitors, new parks, and additional NPS responsibilities. Over the past 30 years, the number of national park units has grown by 50 percent and the number of national park visits has increased from 164 million a year to almost 287 million a year.

With growing demands on park facilities and resources, NPS is taking new, creative, and more efficient approaches to managing parks and has developed performance measures against which to gauge progress. NPS is systematically addressing facility maintenance and construction needs through various management reforms, such as establishing five-year lists of priority projects, conducting condition assessments, implementing new information systems, and using business plans at parks to achieve strategic plan goals and resolve management challenges. NPS will use these business plans and other reforms to clearly communicate priorities, hold superintendents accountable, and influence how funding for individual parks is allocated. By next year's budget, NPS expects to establish better measures for addressing the backlog of deferred maintenance and resource protection needs. These reforms, coupled with increased appropriations and targeted fee receipts, will allow NPS to eliminate its backlog after five years.

In 2002, NPS plans to:

- maintain the percentage of park visitors responding to surveys that summarize their experience as good or very good at 95 percent; and
- as part of the National Resource Challenge, improve science-based management in parks, and complete 1,121 data sets for natural resource inventories in 2002 out of 2,527 required, compared to 455 completed through 2000.

Conservation and Land Management

The 75 percent of Federal land that makes up the National Forests, National Grasslands, National Wildlife Refuges, and BLM-administered public lands also provides significant opportunities for public recreation. BLM provides for nearly 75 million recreational visits a year, while over 36 million visitors enjoy wildlife each year at National Wildlife Refuges. With its approximately 192 million acres, USDA's U.S. Forest Service (USFS) is the largest single supplier of public outdoor recreation. USFS estimates that in 1996 it provided 341 million recreational visitor days. In 2001, USFS will be releasing a new scientific based statistical sample measure for recreation use that it has been developing.

Federal lands also provide other benefits. With combined annual budgets of almost $6 billion, BLM and USFS manage lands for multiple purposes, including outdoor recreation, fish and wildlife conservation, energy

and mineral production, timber production, livestock grazing, and wilderness preservation. As part of the efforts to cut red tape and streamline processes, these agencies will upgrade an integrated nationwide outdoor recreation information system that gives the American public quick and easy electronic access to information about recreation use, permits, and reservations on Federal lands (*www.recreation.gov*).

In addition to managing the land for recreation and conservation purposes, in 2002:

- BLM will improve domestic energy supplies by increasing leasing of oil and gas from 2,900 leases in 2000 to 3,400 leases; and
- BLM plans to increase processing of applications for permits to drill from 3,600 in 2000 to 4,400.

BLM will continue to emphasize accountability as well as verification for royalty production through inspection and enforcement on both Federal and Indian leases. The budget initiates planning and studies on potential oil and gas leasing in the Arctic National Wildlife Refuge in northern Alaska in 2004. Beginning in 2004, the budget would dedicate one-half of the bonus bids—the cash paid to the United States by successful bidders for oil and gas leases—to fund increased research on solar and renewable energy technology research and development, to be conducted by the Department of Energy over a seven-year period. The budget assumes that $1.2 billion would be available in 2004 to increase the funding for the solar and renewable technology program.

Some high-priority projects include:

Service First: USFS and BLM are working together to deliver seamless service to customers and "boundaryless" care for the land. The goal is to: improve customer service with one-stop shopping; achieve efficiencies in operations to reduce or avoid costs; and take better care of the land by taking a landscape approach to stewardship rather than stopping at the traditional jurisdictional boundaries. USFS and BLM are also looking to streamline major business processes to make them work better for both employees and customers.

USFS Administrative Reforms: The Administration is committed to enhancing USFS accountability and ensuring that more resources are available for "on-the-ground" activities. Over the next year, USDA will review and begin implementation of streamlining and efficiency enhancing measures for USFS administrative operations. Centralized servicing and enterprise teams will be evaluated as ways to provide additional efficiency savings. National forest units may be able to contract with the private sector for these services where appropriate, or rely on coordinated cost pools. In addition, streamlined decision-making and an emphasis on forest-level activities will help establish increased accountability and improved decision-making for the agency. USFS will also improve its financial accounting system in support of fire suppression efforts to provide more accurate and timely information on fire suppression costs.

The risk of wildfires increasingly threatens communities and the environment. Last year, USFS and DOI jointly released a report, Managing the Impact of Wildfires on Communities and the Environment. The report outlined a national strategy (known as the National Fire Plan) to reduce risks to communities from catastrophic wildfires, and to increase fire preparedness. The report made clear the importance of restoring landscapes and rebuilding communities devastated by fire; the need to invest in projects to reduce fire risk; and the importance of working closely with local communities to reduce risks. In 2002, the land management agencies plan to:

- perform hazardous fuels treatments on 1.4 million acres of Federal land to reduce the risk of loss of life, property, and natural resources from catastrophic wildfire; and
- assist over 5,300 communities and volunteer fire departments, more than double the number assisted in 1999.

The agencies will also be working to improve the fuels reduction program by integrating the best available fire science in fuels treatment planning for 2002 and by developing performance measures to better target and then gauge the effectiveness of fuels treatments on reducing fire risks. These perform-

ance measures are expected to be developed and in place by 2002.

BLM and USFS concentrate on the long-term goal of providing sustainable levels of multiple uses while ensuring and enhancing ecological integrity. In 2002:

- USFS will target funding to needed watershed restoration work (25,000 acres) and noxious weed control (85,000 acres); and
- BLM plans to improve the condition of 800 priority watersheds and increase the number of acres treated to control noxious weeds to 245,000 acres.

DOI's Fish and Wildlife Service (FWS), with a budget of $1.091 billion, manages roughly 94 million acres of refuges and, with the Commerce Department's National Marine Fisheries Service (NMFS), protects species on Federal and non-Federal lands.

- In 2002, FWS will again ensure that the refuge acreage is protected, of which 3.4 million acres will be enhanced or restored.
- FWS expects the status of 347 species listed under the Endangered Species Act as endangered or threatened a decade or more to stabilize or improve in 2002, compared to 309 in 2000; and anticipates recovery efforts will result in the delisting of three species.
- NMFS will implement programs in 2002 to reduce from 95 to 74 the number of fisheries where overfishing is occurring out of the 286 major fish stocks.
- The National Oceanic and Atmospheric Administration (NOAA) plans to support an increase in the number of restored acres of coastal habitat by 10,000 acres in 2002 to a total of 80,000.

Half of the continental United States is crop, pasture, and rangeland. Two percent of Americans manage this land—farmers and ranchers. USDA's Natural Resources Conservation Service provides technical and financial assistance to them to improve land management practices.

- Through several programs, USDA will implement conservation and resource management systems to control erosion, reduce nutrient runoff, improve pest management and improve habitat on 32 million acres of cropland.
- USDA intends also to help livestock producers reduce agricultural runoff and protect water quality through the development and implementation of 4,315 comprehensive nutrient management plans.

In addition, in 2002, USDA will explore alternative methods of delivering technical assistance to farmers and ranchers. As part of this effort, USDA has authority to implement a small pilot program through which Conservation Reserve Program participants receive USDA-funded private-sector technical assistance, instead of the technical assistance traditionally provided by USDA. This pilot would allow USDA to determine if contracting out some services improves program delivery or reduces costs, and whether contracting should be explored for similar programs.

Everglades and California Bay-Delta Restoration

Federal and non-Federal agencies are carrying out long-term restoration plans for several nationally significant ecosystems, such as those in South Florida and California's Bay-Delta. The South Florida ecosystem is a national treasure that includes the Everglades and Florida Bay. Its long-term viability is critical to the health of scores of endangered plants and animals, important tourism and fishing industries, the economy of the State, and the quality of life for South Florida's six million people who depend on the ecosystem for its water and natural resources. Economic development and water uses in California's San Francisco Bay-San Joaquin Delta watershed have diminished water quality, degraded wildlife habitat, endangered several species, and reduced the estuary's reliability as a water source for two-thirds of Californians and seven million acres of highly productive agricultural land.

The total proposed in the 2002 Budget for the implementation of the Comprehensive Everglades Restoration Plan (CERP), authorized by the Water Resources Development Act of 2000, is $37 million. This includes $28 million for the Army Corps of Engineers and $9 million for DOI for research,

monitoring, and planning studies to support CERP implementation.

In addition to CERP, the budget proposes $183 million to continue ongoing construction, research, and land acquisition activities associated with the restoration of the South Florida ecosystem, including the Everglades. For example, the budget continues important restoration efforts on the Kissimmee River and funds the project to provide additional water to Everglades National Park.

- By September 30, 2002, five of the 68 currently known federally-endangered and threatened species in South Florida will be able to be "down-listed" or removed from the list.

In August 2000, Federal and State of California officials agreed upon a long-term, $8.7 billion plan for the California Bay-Delta that would improve water quality, habitat and ecological functions, and water supply reliability, while reducing the risk of catastrophic breaching of Delta levees. The Congress is likely to consider legislation to authorize the Bay-Delta program early in 2001. The budget contains funds for Bay-Delta activities that can be undertaken within existing statutory authorities, including $20 million of new funds in a dedicated DOI account.

- In 2002, as part of implementing that plan, participating agencies expect to make up to 60,000 acre-feet of water available to Federal water project contractors that would not otherwise have been available.

Scientific Support for Natural Resources

The management of lands, the availability and quality of water, and improvements in the protection of resources are based on sound and objective natural resources science. DOI's U.S. Geological Survey (USGS) provides research and information to land managers and the public to better understand ecosystems and species habitat, land and water resources, and natural hazards. In 2002, USGS will streamline its activities to better focus on providing sound and objective scientific information to land managers and the public.

The Department of Commerce's NOAA manages ocean and coastal resources in the 200-mile Exclusive Economic Zone and in 13 National Marine Sanctuaries. Its NMFS manages 891 fish stocks and approximately 200 marine mammal populations, and along with NOAA's National Ocean Service seeks to conserve coastal and marine habitats. NOAA's National Weather Service (NWS), using data collected by NOAA's National Environmental Satellite and Data Information Service, provides weather forecasts and flood warnings. Its Office of Oceanic and Atmospheric Research provides science for policy decisions in areas such as climate change, air quality and ozone depletion.

- In 2002, the modernized NWS expects to increase the lead time of tornado warnings to 13 minutes and the accuracy of tornadoes warning to 72 percent; increase the lead time of flash flood warnings to 50 minutes and the accuracy to 87 percent; and increase the accuracy of winter storm warnings to 88 percent. Since 1986, lead times for tornado warnings and flash flood warnings have improved significantly. For example, in 1986 the lead time for tornado warnings was less than five minutes versus the expected 13 minutes lead time in 2002.

Pollution Control and Abatement

The Federal Government helps achieve the Nation's pollution control and abatement goals by: (1) taking direct action; (2) funding actions by State, local, and Tribal governments; and (3) implementing an environmental regulatory system. The Environmental Protection Agency's (EPA) $7.3 billion in discretionary funds and the Coast Guard's $138 million Oil Spill Liability Trust Fund (which funds oil spill prevention and cleanup) finance these pollution control and abatement activities. EPA's discretionary funds have three major components—the operating program, Superfund, and water infrastructure financing.

EPA's $3.7 billion operating program provides the Federal funding to implement most Federal pollution control laws, including the Clean Air, Clean Water, Resource Conservation and Recovery, Safe Drinking Water, and Toxic Substances Control Acts. The

Operating Program is funded at the second highest level in history and is higher than 2001 if unrequested projects are excluded. EPA protects human health and the environment by developing national pollution control standards, supported by sound science, largely enforced by the States under EPA-delegated authority. In 2002, the States and Tribes will receive $1.1 billion in grants, the highest level ever, to administer delegated programs and other responsibilities pursuant to EPA statutes. Included in this total is $25 million in new funding for State enforcement programs, reflecting a shift in enforcement responsibilities in delegated States from Federal enforcement to expanded State enforcement. The budget also includes $25 million for information exchange network State grants, which will develop environmental information standards, practices and design in accord with existing efforts in several States.

Under the Clean Air Act, EPA works to make the air clean and healthy to breathe by setting standards for ambient air quality, toxic air pollutant emissions, new pollution sources, and mobile sources. In 2002:

- EPA plans to certify that three areas of the remaining 55 nonattainment areas have attained the one-hour National Ambient Air Quality Standard for ozone, thereby increasing the number of people living in areas with healthy air quality by 2.9 million; and
- air toxic emissions nationwide from stationary and mobile sources combined will be reduced by five percent from 2001 (for a cumulative reduction of 40 percent from the 1993 annual level of 4.3 million tons).

Under the Clean Water Act, EPA works to conserve and enhance the ecological health of the Nation's waters through regulation of point source discharges, support for programs and projects to address polluted runoff, and through other multi-agency cooperative endeavors.

- In 2003, water quality will improve on a watershed basis such that 600 of the Nation's 2,262 watersheds will have greater than 80 percent of assessed waters meeting all water quality standards. (Water quality is surveyed biennially.)

Under the Federal Insecticide, Fungicide, and Rodenticide Act and the Federal Food, Drug, and Cosmetic Act, EPA regulates pesticide use, grants product registrations, and sets tolerances (standards for pesticide residue on food) to reduce risk and promote safer means of pest control. EPA also seeks to reduce environmental risks where Americans reside, work, and enjoy life, through pollution prevention and risk management strategies.

- By the end of 2002, EPA plans to reassess a cumulative 66 percent of the 9,721 pesticide tolerances required to be reassessed over ten years. This includes 70 percent of the 893 tolerances having the greatest potential impact on dietary risks to children. This will be a major improvement given that only 121 reassessments were completed in 2000.
- The quantity of Toxic Release Inventory pollutants released, disposed of, treated, or combusted for energy recovery in 2002, (normalized for changes in industrial production) is expected to be reduced by 200 million pounds, or two percent, from 2001 reporting levels. These data will be reported in 2004.
- In 2002, EPA will make publicly available screening level hazard data and assessments for eight percent of the 2,800 High Production Volume chemicals (industrial chemicals which are manufactured in or imported into the United States at one million pounds or greater), as part of the Agency's implementation of a comprehensive strategy for screening, testing, classifying, and managing the potential risks posed by commercial chemicals.

Under the Resource Conservation and Recovery Act, EPA and authorized States prevent dangerous releases to the environment of hazardous, industrial nonhazardous, and municipal solid wastes by requiring proper facility management and cleanup of environmental contamination at those sites.

- In 2002, 82 more hazardous waste management facilities are expected to have approved controls in place to prevent dangerous releases to air, soil, and groundwater, for an approximate total of 71 percent of 2,750 facilities.

EPA's underground storage tank (UST) program seeks to prevent, detect, and correct leaks from USTs containing petroleum and hazardous substances. Regulations issued in 1988 required that substandard USTs (lacking spill, overfill and/or corrosion protection) be upgraded, replaced or closed by December 22, 1998. EPA's leaking underground storage tank program (LUST) promotes and implements rapid and effective responses to UST releases. In 2002:

- EPA and its State and Tribal partners aim to achieve 96 percent compliance of active USTs with the 1998 requirements and 75 percent compliance of active USTs will be in compliance with the leak detection requirements. (EPA is in the process of changing the way it measures compliance, including changing from a per tank to a per facility basis.)
- The performance goal is to complete 23,000 LUST cleanups.

The $1.3 billion Superfund program pays to clean up hazardous spills and abandoned hazardous waste sites, and to compel responsible parties to clean up. The Coast Guard implements a smaller but similar program to clean up oil spills. Superfund also supports EPA's Brownfields program. The Administration's strategy on Brownfields (abandoned industrial sites) is to clean them in order to protect human health and the environment while allowing affordable cleanups and flexible approaches. The Administration intends to remove legal obstacles to cleanups, make the Brownfields tax incentive permanent, and make Federal financial assistance more effective by cutting red tape and reforming existing funding mechanisms. Brownfield cleanup and redevelopment is important because it revitalizes urban communities by improving public health and environmental conditions, boosting local property tax rolls, and providing jobs. In 2002:

- EPA and its partners intend to complete 65 Superfund cleanups (construction completions) for an overall total of 895 construction completions by the end of 2002; and
- The Coast Guard expects to reduce the rate of oil spilled into the Nation's waters to 3.6 gallons per million gallons shipped, which will make good progress toward a goal of a 20-percent reduction from the 3.9 gallons per million five-year moving average.

EPA water infrastructure funds provide grants to States for capitalizing revolving funds, which make low-interest loans, to help municipalities pay for wastewater and drinking water treatment systems required by Federal Law. Also, EPA funds State sewer overflow control grant programs. The $1.3 billion requested in the 2002 Budget for EPA state wastewater grants fund the Clean Water State Revolving Funds (CWSRF) at $850 million and the newly authorized Sewer Overflow Control Grant program at $450 million. This request is consistent with EPA's plan to capitalize the CWSRF to the point where it provides $2 billion in average annual assistance and further addresses Federal mandates to control the biggest remaining municipal wastewater problem, sewer overflows. The $76 billion in Federal wastewater assistance since passage of the 1972 Clean Water Act has dramatically increased the number of Americans enjoying better quality water; nearly all of the Nation's wastewater treatment systems have been upgraded to secondary treatment or better. Also, the Drinking Water State Revolving Fund (DWSRF) is funded at $823 million to provide capitalization grants to State DWSRFs, to provide $500 million in long-term average annual assistance. Ensuring that community water systems meet health-based drinking water standards is supported by both the DWSRF and operating program resources. In 2002:

- 700 CWSRF projects are intended to initiate operations, including 400 projects providing secondary treatment, advanced treatment, combined sewer overflow correction (treatment) and, or/or storm water treatment. Cumulatively, 7,900 CWSRF-funded projects will have initiated operations since program inception.
- 91 percent of the population served by community water systems is expected to receive drinking water meeting all health based standards in effect as of 1994, up from 83 percent in 1994.

USDA gives financial assistance to rural communities to provide safe drinking water and adequate wastewater treatment facilities to under-served rural communities (less than 10,000 people). USDA offers this loan assistance at subsidized interest rates based on the community's income. The budget proposes $1.4 billion in combined grant, loan, and loan guarantees for this assistance, equal to the 2001 enacted levels.

- USDA expects to provide 1.4 million rural residents access to clean, safe drinking water and/or quality waste disposal service by funding 900 water/waste treatment projects in 2002.

Water Resources

The Federal Government builds and manages water projects for navigation, flood-damage reduction, environmental purposes, irrigation, and hydropower generation. The Army Corps of Engineers (Corps) operates nationwide, while DOI's Bureau of Reclamation operates in the 17 western States. The budget proposes $4.7 billion for these agencies in 2002—$3.9 billion for the Corps, $0.8 billion for the Bureau of Reclamation. The budget targets Corps funds at completing the backlog of ongoing projects, rather than starting new ones. It gives priority for funding to activities in the Corps' primary missions areas—commercial navigation, flood damage reduction, and environmental restoration.

In 2002, the Corps plans to:

- maintain high-use commercial navigation facilities in a fully operational state at least 90 percent of the time;
- maintain flood damage-reduction facilities in a fully operational state at least 95 percent of the time;
- achieve "no net loss" of wetlands by creating, enhancing, and restoring wetlands functions and values that are comparable to those lost; and
- address concerns regarding the assessment of construction projects.

The Bureau of Reclamation manages, develops, and protects water and related resources in an environmentally and economically sound manner in the interest of the American public.

- In 2002, the Bureau of Reclamation intends to deliver or release the amount of water contracted for from Reclamation-owned and operated facilities, expected to be no less than 28 million acre-feet, and generate power needed to meet contractual commitments and other requirements 100 percent of the time, depending upon water availability.

Tax Expenditures

Conservation Tax Credit: To provide an incentive for private, voluntary land protection, the budget includes a 50-percent capital gains tax exclusion for private landowners who voluntarily sell land or water to a Government agency or qualified conservation organization for conservation purposes. This incentive is a cost effective, non-regulatory, market-based approach to conservation.

Brownfields: To spur more cleanups across the country, the budget includes a permanent extension of favorable tax treatment of the costs of cleaning up contamination at abandoned waste sites. Taxpayers may elect to treat certain environmental remediation expenditures as deductible in the year paid or incurred. Under current law, the Brownfields tax incentive expires at the end of 2003.

7. AGRICULTURE

Table 7–1. Federal Resources in Support of Agriculture
(In millions of dollars)

Function 350	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	4,725	5,111	4,833	5,242	5,152	5,264	5,383
Mandatory Outlays:							
Existing law	31,990	20,437	13,162	9,819	8,759	8,789	9,099
Credit Activity:							
Direct loan disbursements	11,005	10,280	10,392	8,949	8,791	8,564	8,868
Guaranteed loans	5,435	6,492	6,783	6,886	6,886	6,886	6,886
Tax Expenditures:							
Existing law	1,040	1,080	1,130	1,180	1,230	1,290	1,340

Through the Department of Agriculture (USDA), the Federal Government seeks to enhance the quality of life for the American people by supporting agricultural production; ensuring a safe, affordable, nutritious, and accessible food supply; conserving agricultural, forest, and range lands; supporting sound development of rural communities; providing economic opportunities for farm and rural residents; expanding global markets for agricultural and forest products and services; and working to reduce hunger in America and throughout the world. (Many of these missions fall within other budget functions and are described in other chapters in this section.)

The Federal Government helps to increase U.S. agricultural income by boosting productivity, ensuring that markets function fairly, and providing a safety net for farmers and ranchers who face financial risk and natural disasters. Farming and ranching are risky. Federal programs are designed to accomplish two key economic goals: (1) provide an economic safety net for farmers and ranchers; and (2) open, expand, and maintain global market opportunities for agricultural producers.

USDA programs disseminate economic and agronomic information, and help farmers finance their operations and manage risks from both weather and variable export conditions. Agriculture, food, and its related activities account for 15 percent of total annual U.S. personal consumption expenditures.

Conditions on the Farm

Farm conditions are improving. While supplies of farm commodities continued to exceed demand, some prices have started to recover from the lows of the past two years. Gross cash market receipts rose three percent to $195 billion in 2000, above the average level for 1990-1995. Net cash income also rose slightly, remaining above average due to Federal emergency payments. Farmers are expected to earn slightly more from 2001 crop sales due to a larger harvest and improving prices. Livestock prices in 2000 recovered from previous lows, and livestock receipts exceeded the record level of $96.5 billion in 1997. Crop and livestock prices are expected to strengthen modestly in 2001.

Economic and weather conditions in the 2000 crop year prompted the Federal Government to expand spending on agriculture for a third year, including $11 billion in emergency disaster relief enacted in the 2001 Agriculture Appropriations Act and Agriculture Risk Protection Act of 2000. Overall,

Federal Government farm payments and related expenditures reached a record $32 billion in 2000 (up significantly from the $10 billion provided in 1998).

Farm assets and equity continue to rise, notwithstanding the generally low commodity prices. Farm sector assets increased in value in 2000, to $1.1 trillion. Farm asset values are forecast to remain at historic high levels in 2001, as farm real estate values increase for the thirteenth straight year. Farm business debt declined slightly in 2000, from its highest level since 1986; and debt-to-equity and debt-to-asset ratios also improved slightly in 2000, and are much stronger than on the eve of the financial stress in the farm sector during the 1980s. Farmer loan delinquencies are at a low and flat level. However, continuing low commodity prices and higher input costs due to increasing energy costs, may cause certain producers some increasing financial stress.

Future farm income will be closely linked with exports. The Nation exports 30 percent of its farm production, and agriculture produces the greatest balance of payments surplus, for its share of national income, of any economic sector. Agricultural exports reached a record $60 billion in 1996. Lower world market prices and bulk export volume reduced exports to $49 billion in value terms, although export volume was steady in that period, but in 2000 exports increased to $51 billion. In 2001, export growth is likely to continue to improve gradually to $53 billion, with the agricultural trade net surplus expected to reach $13 billion.

The 1996 Farm Bill

The 1996 Farm Bill, effective through 2002, fundamentally redesigned Federal income support and supply management programs for producers of wheat, corn, grain sorghum, barley, oats, rice, and cotton. It expanded the market-oriented policies of the previous two major farm bills, which had gradually reduced the Federal influence in the agricultural sector at the same time it significantly altered Federal support payments.

Under previous laws dating to the 1930s, farmers who reduced plantings could get income support payments when prices were low, but farmers had to plant specific crops in order to receive such payments. Even when market signals encouraged the planting of a different crop, farmers had limited flexibility to do so. By contrast, the 1996 Farm Bill eliminated most such restrictions and, instead, provided fixed, but declining payments to eligible farmers through 2002, regardless of market prices or production volume. This law decoupled Federal income support from planting decisions and market prices. The law brought changes in the crop acreage planted in response to market signals. In 1997, wheat acreage fell by six percent, or about five million acres, from the previous year, while soybean acreage rose by 10 percent, or over six million acres.

Since the Farm Bill eased planting restrictions, there has been greater potential volatility in crop prices and farm income. The size of farm income-support payments no longer varies as crop prices fluctuate, and USDA can no longer require farmers to grow less when supplies are great. The previous farm bills were not perfectly counter-cyclical: participants in USDA commodity programs whose crops were totally ruined when prices were high got no income-support payment then, but would now through fixed payments. The 1996 Farm Bill does provide some counter-cyclical price protection because it provides additional marketing loan payments to farmers when commodity prices fall below a statutorily set loan rate. These marketing loan payments reached the historic high level of nearly $7 billion in calendar year 2000. Farmers also received additional emergency assistance: $6 billion was appropriated in 1999 for 1998 crop-year losses, and $14 billion was legislated in 2000 to address both 1999 and 2000 crop-year losses.

The budget does not assume supplemental income assistance for farmers for the 2001 crop year because it appears that commodity prices are improving, net cash income is projected to be over 90 percent of the average income in the 1990s, and it is too early to know what the crop quality and yield situation will be. However, the 2002 Budget provides a reserve fund that could be used to provide emergency support. USDA will work to enhance the competitiveness of American agriculture and to expand market

opportunities for agricultural products using its trade, export, research and education and other programs.

Federal Programs

Federal Farm Commodity Programs: Since the amount of Federal income support payments under the 1996 Farm Bill is largely fixed, farm income can fluctuate much more from year to year due to supply and demand changes. Farmers must rely more on marketing alternatives, and develop strategies for managing financial risk and stabilizing farm income. However, in response to unprecedented crop/livestock price decreases and regional production problems, Congress included, as part of the $14 billion in emergency disaster relief in 2000, a doubling of the 1996 Farm Bill's fixed $5 billion in income-support payments. In addition, the Federal Government continues to provide other safety-net protections, such as the marketing assistance loans that guarantee a minimum price for major commodities, which paid producers $7 billion in 2000 and will pay them about $6 billion in 2001. Since July 1998, USDA has been seeking to support U.S. crop prices by purchasing surplus commodities to donate overseas.

Insurance: USDA helps farmers manage their risks by providing subsidized crop insurance, delivered through the private sector, which shares the insurance risk with the Federal Government. Farmers pay no premiums for coverage against catastrophic production losses, and the Government subsidizes their premiums for higher levels of coverage. Over the past three years, an average of nearly 70 percent of eligible acres has been insured, the highest in the program's 60-year history. USDA now targets an average indemnity payout of $1.08 for every $1 in premium, down from the historical average indemnity of $1.40 for every $1 in premium. Crop insurance costs the Federal Government about $3 billion a year, including USDA payments to private companies for delivery of Federal crop insurance. Producers pay about $1 billion in premium costs for this protection.

The Agricultural Risk Protection Act (ARPA), enacted in June 2000, included broad crop insurance reforms. Premium subsidies were increased to levels that will roughly double the cost of the program (from $1.5 billion to $3 billion) and targeted to higher levels of coverage. Consequently, participation is expected to increase to an estimated 84 percent of insurable acres, and the average coverage purchased by a farmer is expected to reach more than 70 percent of expected revenue. The program is expected to provide over $36 billion in risk protection in 2001, up from $34 billion in 2000. Both increased participation and higher coverage have the effect of enhancing the farm safety net, and reducing the need for disaster assistance legislation. ARPA provides incentives for the private sector to develop crop insurance policies on new crops and expand several insurance products that mitigate revenue risk, price and production risk combined. Revenue insurance policies are now among the most popular crop insurance products, and USDA will continue to expand their application and availability.

Trade: The trade surplus for U.S. agriculture rose to $12.0 billion in 2000 after having declined in recent years. This is largely the result of the growth in high-value agricultural products rather than bulk commodities. USDA's Foreign Agriculture Service (FAS) negotiates, implements, and enforces trade agreements to strengthen the market for U.S. exports.

In 2002, FAS will work to carry out the President's commitment to expand overseas agricultural markets by strengthening USDA's market intelligence capabilities in order to address more effectively governmental policies and issues that affect the competitiveness of U.S. exports. FAS, the Agricultural Marketing Service, Grain Inspection Packers and Stockyards Administration, and Animal and Plant Health Inspection Service will work to enhance the USDA's expertise in addressing and resolving technical trade issues with foreign trading partners and expand participation in the development of international commodity standards.

USDA is authorized to spend more than $1 billion in 2002 on a wide range of trade promotion programs that expand overseas market opportunities and develop long-term trade relationships with foreign

countries. These include subsidies to export firms that face unfairly subsidized overseas competitors and credit guarantees for the commercial financing of U.S. agricultural exports. A small, but fast growing component of the guarantees is made available under the Supplier Credit Guarantee Program. This relatively new program was developed in response to changing trade patterns and was tailored specifically to facilitate sales of high value and consumer ready products, among the fastest growing components of U.S. agricultural trade.

USDA also provides outreach and exporter assistance activities that are designed to assist businesses identify marketing opportunities overseas and enter export markets for the first time. This effort includes assistance in addressing laws, customs, and technical requirements that can discourage smaller, less experienced firms from taking advantage of export opportunities. USDA also facilitates participation in international trade shows and market promotion events. In these activities, increased emphasis is being placed on emerging markets in order to assist U.S. exporters to offset the initial costs and risks involved in capturing new market opportunities.

Agricultural Research: In 2002, the Federal Government expects to spend $2.1 billion for agricultural research, education, economics and statistics programs to make U.S. agriculture more productive and competitive in the global economy.

The Agricultural Research Service (ARS) is USDA's in-house research agency. In 2002, ARS' $946 million proposed funding level will increase emphasis in high-priority areas, such as combating emerging and exotic diseases, controlling weeds and arthropods, as well as for biotechnology, and genomics. Working towards the ultimate goal of having a method to rapidly detect the presence of Bovine Spongeform Encephalopathy (BSE) disease agents in live animals, USDA will develop one or more BSE tests that will be ready for field evaluation in 2002. To accommodate these high priority items, funding for some lower-priority earmarked projects will be discontinued and funding for facility modernization will be limited to the most urgent needs.

Another important ARS initiative is to develop technologies that will enhance the range of uses for agricultural commodities and byproducts. This work would result in competitively priced value-added products and spur jobs and business activity, especially in rural areas. Of particular promise is a new USDA research program carried out in collaboration with the Department of Energy. This effort focuses on developing biobased products and biofuels products made from renewable resources that can meet environmental needs, reduce dependence on petroleum-based products, and expand market opportunities for U.S. agriculture. In addition to developing new products, the USDA also will create new ways to ensure their efficient mass-production and processing. In 2002, USDA will:

- Expand transfer of research results to industry in order to increase the number of high quality and economically competitive bio-based products for sale.

The Cooperative State Research, Education and Extension Service (CSREES) provides grants, through open competition, statutory formula, or, less desirably, direct earmark. Most of these grants are provided to land grant universities and State agricultural experiment stations. In 2002, CSREES' $991 million request (including $120 million for the Initiative for Future Agriculture and Food Systems) will maintain funding for all programs except those that were funded with congressional earmarks in 2001.

USDA economics and statistics programs, which are funded at $181 million, improve U.S. agricultural competitiveness by reporting and analyzing information. The Economic Research Service provides economic and other social sciences information and analysis for decision-making on agriculture, food, natural resources and rural development policy. The National Agricultural Statistics Service (NASS) conducts the Census of Agriculture and provides estimates of production, supply, price and other aspects of the farm economy, providing information that helps ensure efficient markets. In 2002, NASS will:

- Provide timely information needed to support orderly marketing of agricultural products by meeting scheduled report release dates 100 percent of the time.

Inspection and Market Regulation: The Federal Government will spend approximately $825 million a year to secure U.S. cropland from pests and diseases and make U.S. crops more marketable. The Animal and Plant Health Inspection Service (APHIS) inspects agricultural products that enter the country, searching for goods or commodities that could harbor potential infestations; monitors the disease status of agricultural plants and animals; controls and eradicates diseases and infestations; helps control damage to livestock and crops from animals; and uncovers cruel treatment of many domesticated animals. The Agricultural Marketing Service (AMS) and the Grain Inspection, Packers and Stockyards Administration (GIPSA) help market U.S. farm products, ensure fair trading practices, and promote a competitive, efficient market place.

In 2002, APHIS will provide increased funding to stop the importation of goods and commodities that could endanger U.S. agriculture; use appropriated discretionary funding to respond to ongoing emergencies such as Medfly, citrus canker and Asian Longhorned Beetle; and improve trade issues and management. Reductions of unneeded funding will be made in boll weevil and brucellosis activities. An example of a performance goal in 2002 is:

- APHIS will continue to ensure that at least 95 percent of air travelers comply with restrictions to prevent entry of pests and diseases despite growing passenger traffic.

For AMS and GIPSA, more funding will be devoted towards active participation in the development and resolution of international commodity standards. Examples of performance goals in 2002 are:

- AMS will establish accredited procedures and methods for testing bio-engineered fruits and vegetables similar to those already established for grains by GIPSA; and
- GIPSA will become the International Standardization Organization certifier to promote the marketing of value-added products through internationally recognized quality assurance systems, thus opening new market opportunities and avoiding costly trade disputes.

Conservation: The 1996 Farm Bill was the most conservation-oriented farm bill in history, enabling USDA to provide incentives to farmers and ranchers to protect the natural resource base of U.S. agriculture. The bill created several new conservation programs and extended and expanded other ongoing programs. The largest new program is the Environmental Quality Incentives Program, which provides cost-share and incentive payments to encourage farmers to adopt improved farming practices, and reduce the environmental impact of livestock operations. In a typical year, USDA, through the Natural Resources Conservation Service, provides technical assistance to 650,000 landowners, farmers and ranchers.

In 2002, USDA will:

- increase the number of acres enrolled in riparian buffers and filter strips to 2.5 million, from an estimated 1.6 million acres in 2001;
- develop conservation systems on 18 million acres of cropland and grazing land to control erosion;
- help landowners apply integrated pest management systems on four million acres;
- help landowners apply conservation measures to reduce nutrient runoff on five million acres; and
- improve fish and wildlife habitat on five million acres of private land.

For more information on conservation, and USDA's investments in public land management, see Chapter 6, "Natural Resources and Environment." USDA programs also help to maintain vital rural communities, as described in Chapter 10, "Community and Regional Development."

Agricultural Credit: USDA provides about $800 million a year in direct loans and nearly $3 billion in guaranteed loans to finance farm operating expenses and farmland purchases. A portion of direct loans, which carry interest

rates at or below those on Treasury securities, are targeted to beginning or socially disadvantaged farmers. Both direct and guaranteed loans are limited to family farmers who cannot obtain adequate credit from other sources.

In 2002, USDA will:

- Increase the proportion of loan amounts targeted to beginning and socially-disadvantaged farmers to 30 percent, from an estimated 28 percent in 2001 and nine percent in 1996 when USDA first began measuring this activity; and
- Reduce the delinquency rate on farm loans to 18 percent, from over 24 percent in 1994.

The Farm Credit System and Farmer Mac, both Government-Sponsored Enterprises, enhance the supply of farm credit through ties to national and global credit markets. The Farm Credit System (which lends directly to farmers) has recovered strongly from its financial problems of the 1980s, in part through Federal help. Farmer Mac increases the liquidity of commercial banks and the Farm Credit System by purchasing agricultural loans for resale as bundled securities. In 1996, Congress gave the institution authority to pool loans as well as more years to attain required capital standards, which Farmer Mac has now achieved.

Management Reform: USDA administers its many farm, conservation, and rural development programs through 2,500 county-level service centers with over 25,000 staff. During the prior Bush Administration, an effort was begun to streamline USDA's county office structure to improve service and reduce costs. The increasing costs of maintaining the current delivery system and the investment in new information technology have prompted the USDA to continue to examine its staff-intensive field office-based infrastructure. USDA will merge information technology staff of the Farm Service Agency, the Natural Resources Conservation Service, and Rural Development into one staff to service all three agencies, and review the field office structure to identify additional opportunities to improve efficiency, realize savings, and recognize the growth in farm business transacted via computers and fax machines. With requested resources, USDA will complete implementing its systems integration initiative, known as the Common Computing Environment (CCE). The CCE will reduce the paperwork burden by allowing for electronic filing of information from farmers and other USDA customers.

USDA will also review streamlining and efficiency-enhancing measures for the Forest Service's field structure, work force, and administrative operations to provide more resources for "on-the-ground" activities. Program modifications and reforms will also be considered for USDA's food aid, trade, and marketing programs. These will ensure that Section 416(b) food aid donations, in particular, significantly benefit U.S. farmers, target necessary humanitarian feeding, and avoid adverse commercial impacts consistent with Administration policy. The USDA will look for ways to reduce layers of management where doing so will increase program responsiveness without sacrificing needed oversight and accountability.

Improving management and financial accountability is also a key priority for the Department. USDA will develop centralized and integrated management information systems to provide timely and reliable information on USDA's finances, people, and purchases. Such systems will help USDA resolve major management challenges, including improving computer security.

USDA will continue working towards the goal of an unqualified audit opinion on USDA's consolidated financial statements. To assist in this goal USDA is implementing a corporate administrative accounting system (estimated completion by 2003). Last year, three stand alone component agency statements received unqualified audit opinions, two received qualified opinions and one received a disclaimer.

Tax Expenditures

Tax expenditures for agriculture are estimated to be $1.1 billion in 2002, and $6 billion between 2003 and 2006. Legislation in 1999 made permanent the ability for farmers and ranchers to lower their tax liability by averaging their taxable income over the prior three-year period. Producers of certain crops, such as corn, also receive indirect benefits from the ethanol tax credit,

due to the higher commodity prices that result from the increased demand for their commodities.

The Administration proposes to establish Farm, Fish, and Ranch Risk Management (FFARRM) savings accounts for owners of farming, fishing, and ranging businesses. Each year, up to 20 percent of taxable income attributable to an eligible farming, fishing, or ranching business could be contributed to a FFARRM account and deducted from income. The income earned on the account would be taxable as earned. Distributions from the account (except those attributable to income from the account) would be included in gross income. Any amount not distributed within five years of deposit would be deemed to have been distributed and included in gross income, plus subject to a 10 percent surtax. This proposal would be effective for taxable years beginning after December 31, 2001.

8. COMMERCE AND HOUSING CREDIT

Table 8–1. Federal Resources in Support of Commerce and Housing Credit

(In millions of dollars)

Function 370	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	5,115	687	–286	–75	–389	–504	–470
Mandatory Outlays:.							
Existing law	–1,263	–2,462	6,691	4,740	4,027	4,160	2,900
Proposed legislation	....	....	–95	–108	–119	–130	–143
Credit Activity:							
Direct loan disbursements	1,322	1,725	1,602	1,576	1,567	1,561	1,558
Guaranteed loans	218,697	231,340	250,765	263,247	272,765	282,387	289,973
Tax Expenditures:							
Existing law	242,455	254,680	266,700	277,810	289,470	301,230	314,770

Notes: Discretionary budget authority is offset by receipts (negative credit subsidy) to the Department of Housing and Urban Development for loan guarantee programs.

2000 discretionary budget authority includes cyclical expenses associated with the decennial census.

The Federal Government facilitates commerce and supports housing through many diverse activities. It provides direct loans and loan guarantees to ease access to mortgage and commercial credit; sponsors private enterprises that support the secondary market for home mortgages; regulates private credit intermediaries; protects investors when insured depository institutions fail; promotes exports and technology; collects our Nation's statistics; and offers tax incentives.

Mortgage Credit

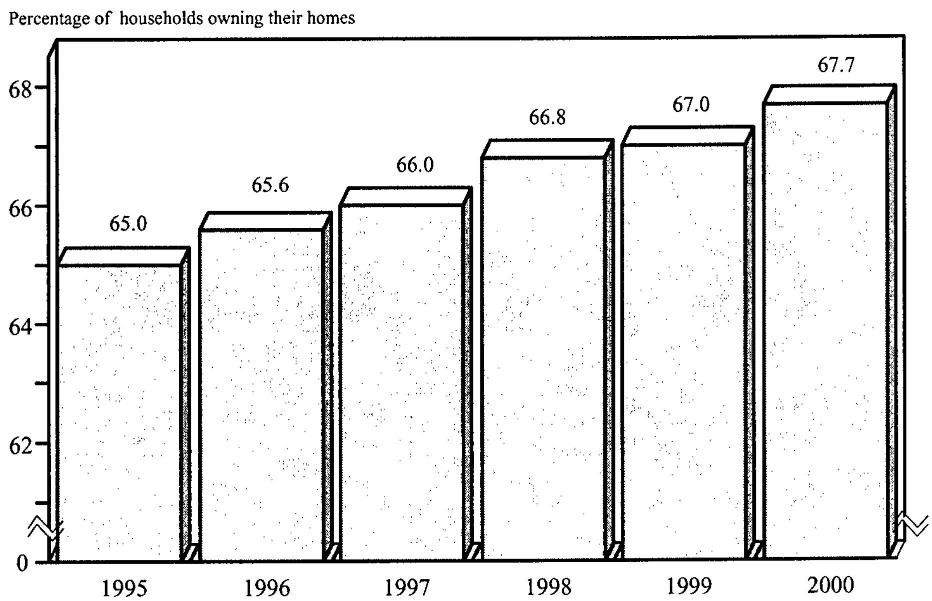
The Government provides loans and loan guarantees to increase homeownership, and to help low-income families afford suitable apartments. Housing credit programs of the Departments of Housing and Urban Development (HUD), Agriculture (USDA), and Veterans Affairs supported $123 billion in new loan and loan guarantee commitments in 2000, helping nearly 1.3 million households. All of these programs have contributed to boosting the national homeownership rate, now at a record high of 67.7 percent (see Chart 8–1).

- The 2002 goal for the national homeownership rate is 68.5 percent.

HUD's Federal Housing Administration (FHA): The Mutual Mortgage Insurance (MMI) Fund, run by FHA, helps increase access to single-family mortgage credit across the United States. As noted in Table 8–2, FHA also insures mortgage loans for multi-family housing as part of its General Insurance and Special Risk Insurance Fund. In 2000, the MMI Fund insured over $86 billion in mortgages for almost 900,000 households. Of the FHA borrowers who purchased their homes in 2000, more than 80 percent are first-time homeowners and 42 percent belong to a minority group. In 2002, FHA will achieve the following:

- the share of FHA mortgage insurance for first-time home buyers will increase to 82 percent; and

Chart 8-1. Historical Homeownership Rates



- the share of FHA mortgage insurance for minority households will increase to 44 percent.

To help achieve these goals, the Administration proposes to allow FHA to insure a popular new type of financial product on the mortgage market, hybrid adjustable-rate mortgages (ARMs). Hybrid ARMs are adjustable-rate loans that carry an initial fixed interest rate for longer than one year. Hybrid ARMs will substantially enhance FHA's product line, offering a sound mortgage product to borrowers who do not qualify for a fixed-rate mortgage or cannot afford the fixed-rate pricing, but who want to avoid the volatility associated with traditional ARMs.

The Administration will reduce FHA fraud and improve program controls. Inadequate information systems have weakened FHA's ability to monitor lenders that use its guarantees. A scheme to defraud the Government, known as "property-flipping," recently highlighted internal weaknesses in FHA's single-family systems and controls. To combat the scheme, last year FHA implemented emergency foreclosure moratoria to protect borrowers in areas where property-flipping was prevalent. FHA will strengthen the integrity of internal systems and controls to eliminate the need for foreclosure moratoria or other emergency responses. Actions will include improving the loan origination process and providing better monitoring of lenders and appraisers.

USDA's Rural Housing Service (RHS): RHS offers direct and guaranteed loans and grants to help very low- to moderate-income rural residents buy and maintain adequate, affordable housing. The single family direct loan program provides subsidized loans to very low-income rural residents, while the single family guarantee loan program guarantees up to 90 percent of a private loan for moderate-income rural residents. Together, the two programs provided $3 billion in loans and loan guarantees in 2000, providing 46,000 decent, safe affordable homes for rural Americans.

- In 2002, RHS will further reduce the number of rural residents living in substandard housing by providing $4 billion

Table 8–2. Selected Federal Commerce and Housing Credit Programs: Credit Programs Portfolio Characteristics

(Dollar amounts in millions)

	Dollar volume of direct loans/ guarantees written in 2000	Numbers of housing units/small business financed by loans/ guarantees written in 2000	Dollar volume of total outstanding loans/guarantees as of the end of 2000
Mortgage Credit:			
HUD/FHA Mutual Mortgage Insurance Fund	86,274	873,265	449,805
HUD/FHA General Insurance and Special Risk Insurance Fund	12,506	154,492	98,888
USDA/RHS single-family loans	3,324	51,400	27,697
USDA/RHS multifamily loans	246	7,400	11,397
VA guaranteed loans	20,159	175,559	199,759
Subtotal, Mortgage Credit	122,509	1,262,116	787,546
Business Credit:			
SBA Guaranteed Loans	13,195	48,422	45,556
SBA Direct Loans	27	65	65
Subtotal, Business Credit	13,222	48,487	45,621
Total Assistance	**135,731**	**1,310,603**	**833,167**

in loans and loan guarantees (equal to the 2001 enacted level) for 55,800 new or improved homes.

Veterans' Affairs (VA): VA recognizes the service that veterans and active duty personnel provide to the Nation by helping them buy and retain homes. The Government partially guarantees loans from private lenders, providing $20 billion in loan guarantees in 2000. One of VA's key goals has been to improve loan servicing to avoid veteran foreclosures.

- In 2002, VA will be successful in intervening to help veterans avoid foreclosure 34 percent of the time. Over the past several years, VA has decreased foreclosures by approximately 10 percent.

Ginnie Mae: The Congress created Ginnie Mae in 1968 to support the secondary market for FHA, VA, and RHS mortgages through securitization. Ginnie Mae guarantees the timely payment of principal and interest on privately issued securities that are backed by pools of FHA, VA, and RHS mortgages. The Ginnie Mae guarantee gives lenders access to the capital markets for funds to originate new loans. Together with the Government-sponsored enterprises that operate in the secondary market for mortgages, Ginnie Mae provides lenders with the liquidity to maintain a steady supply of credit available for housing.

- In 2002, Ginnie Mae will securitize 85 percent of eligible FHA and VA loans, enhancing mortgage market efficiency and lowering costs for home buyers.

Rental Housing

The Government provides housing assistance through a number of HUD and USDA programs. These rental assistance programs provide subsidies for five million low-income households. In 1999, families with severe housing needs dropped by over 400,000 to 4.9 million. This is the first decrease in severe housing needs in 10 years. The budget provides $197 million to fund 34,000 new HUD vouchers for low-income families. HUD will adopt program reforms to eliminate the accumulation of excess balances that have

resulted in the recapture of one to two billion dollars in unspent funds annually over the past few years.

Weak oversight of local housing providers has reduced the quality of housing services and increased costs, reducing the number of households that receive assistance. HUD will improve its management of these providers to encourage compliance and subject non-performers to remedial action. Currently, HUD overpays hundreds of millions of dollars in low-income rent subsidies because tenants' incomes are underreported and rents are improperly calculated or not fully collected. HUD will undertake a series of reforms to correct these errors.

The Administration will work to remove deteriorating, obsolete public housing units through the implementation of public housing reform legislation passed in 1998 and replace them with housing vouchers that families can use to obtain better housing available on the private market. Over time, removing the most costly-to-maintain, obsolete public housing developments is expected to reduce the need for capital spending.

The budget terminates the Public Housing Drug Elimination program for the following reasons: the same types of activities (e.g., security patrols and better lighting) are eligible under the Public Housing Operating and Capital programs; the program was found to have limited impact; current regulatory tools, such as eviction, are effective in reducing drug-related crime in public housing; and fighting crime and drugs is not directly related to HUD's core mission—it is the mission of Federal law enforcement and other agencies whose programs help combat illegal drugs and crime in public housing communities.

HUD's Supportive Housing for the Elderly program works with non-profits to create housing and supportive services tailored to the needs of the very low-income elderly. The Supportive Housing for the Disabled program provides housing and supportive services necessary to promote stability and self-sufficiency of very low-income disabled households. The budget provides for the construction of approximately 7,500 units for the elderly and over 1,500 units for the disabled.

USDA's RHS rental assistance grants to low-income rural households provided $640 million to support 42,000 new and existing rental units in 2000. RHS's multifamily housing programs, which generally lend to private developers, finances both the construction and rehabilitation of rural rental housing for low- to moderate-income, elderly, and handicapped rural residents, as well as farm laborers. The budget provides $257 million in direct and guaranteed loans, providing over 5,200 new units for very low-income tenants in rural America.

HUD and USDA intend to meet the following performance goals:

- For the period 2001–2002, reduce the number of households with severe housing needs by four percent among families with children, and elderly and disabled households.
- In 2002, demolish 13,000 more obsolete, deteriorated public housing units.
- In 2002, decrease the number of public housing units managed by troubled housing authorities by 15 percent.
- For 2002, increase the share of welfare families that move from welfare to work while assisted by tenant-based Section 8 by two percentage points over 2001.
- For 2002, make new and continued rental assistance commitments to fund 43,000 rural rental assistance units (a one-percent decrease from 2001).

Housing Tax Expenditures

The Government provides significant support for housing through tax preferences. The two largest tax benefits are the mortgage interest deduction for owner-occupied homes (which is estimated to cost the Government $66 billion in 2002 and $353 billion over five years) and the deductibility of State and local property tax on owner-occupied homes (costing $26 billion in 2002 and $146 billion over five years).

The Administration will propose an investor-based tax credit, designed to encourage investors to redevelop single-family housing or construct new single-family housing for low-income home buyers. The credit for investors

will amount to as much as 50 percent of project costs for eligible home rehabilitation or construction. The tax credit will increase by 100,000 the number of homes available to low-income families and those living in low-income areas. Credits will be distributed by State agencies that will have the flexibility to tailor the program to local needs. In addition, the Administration proposes to create one million new Individual Development Accounts (IDAs) through a tax incentive. Financial institutions will receive a federal tax credit for matching the contributions made to IDAs by low- to moderate-income individuals saving to buy a first home, start a business, or pay for education.

Other tax provisions also encourage investment in housing: (1) taxpayers can deduct capital gains of up to $500,000 on home sales (costing $104 billion from 2002 to 2006); (2) States and localities can issue tax-exempt mortgage revenue bonds, whose proceeds subsidize purchases by first-time, low- and moderate-income home buyers; and (3) installment sales provisions let some real estate sellers defer taxes. In addition, the low-income housing tax credit (LIHTC) provides incentives for constructing or renovating rental housing that help low-income tenants (costing approximately $3.5 billion in 2002). The Community Renewal Act of 2000 expanded the LIHTC by increasing the per capita allocation to States from $1.25 to $1.50 in 2002, $1.75 in 2003, and indexing the allocation to inflation thereafter. The LIHTC will support construction or rehabilitation of nearly 100,000 rental units annually.

Commerce, Technology, and International Trade

Technology and Intellectual Property Rights: The Department of Commerce undertakes a range of activities to promote technological innovation. In 1999, the Nation's intellectual property rights system was strengthened with the passage of the landmark American Inventors Protection Act, which reformed patent law and converted Commerce's Patent and Trademark Office (PTO) into a performance-based organization to better serve America's entrepreneurs and innovators. PTO also protects U.S. intellectual property rights around the world through international treaties. The budget includes a 10-percent increase in PTO's budget so that it can continue to meet these crucial responsibilities. In 2002:

- PTO expects to issue approximately 167,000 patents with an average processing time for inventions of 26.7 months, despite a 12-percent increase in patent applications over the 2001 level.
- PTO expects to register approximately 127,000 trademarks and maintain an average processing time for trademarks of 20 months despite a 20.2-percent increase in trademark applications over the 2001 level.

Commerce's National Institute of Standards and Technology (NIST): NIST works with industry to develop and apply technology, measurements, and standards to promote American competitiveness. NIST also assists industry through the Manufacturing Extension Partnership (MEP), which makes technological information and expertise available to smaller manufacturers, and the Advanced Technology Program (ATP) which supports businesses' development of pre-competitive technologies. In 2002:

- NIST laboratories will offer 1,350 standard reference materials and 68 standard reference data titles, a 2.7 percent and three percent increase, respectively, over the 2001 level.
- MEP will serve more than 37,000 clients, increase their sales by $24 million, and generate $134 million in additional capital investments.
- New ATP awards will be suspended. The program will be reevaluated to determine whether it is still warranted.

Commerce's International Trade Administration (ITA): ITA strives to promote an improved trade posture for U.S. industry and develop the export potential of U.S. firms in a manner consistent with U.S. foreign and economic policy.

- In 2002, ITA will assist approximately 54,000 small to medium sized businesses in exporting to new markets, the same level as in 2001.

Commerce's Bureau of Export Administration (BXA): The BXA is a regulatory agency that enforces U.S. export controls and protects the proprietary commercial information of industry. The budget includes a six-percent increase in BXA's overall budget.

- In 2002, BXA will issue at least 12,000 licenses for dual use commodities (military or civilian use) and increase the number of investigations of export control violations by seven percent over the 2001 level.

Commerce's Census Bureau and Bureau of Economic Analysis (BEA): The Census Bureau collects, tabulates, and distributes a wide variety of statistical information about Americans and the economy, including the constitutionally-mandated decennial census. BEA prepares and interprets U.S. economic accounts, including the Gross Domestic Product (GDP).

- In 2002, the Census Bureau will deliver on time 100 percent of their scheduled releases, including over 12 major detailed demographic products from the decennial census. These products, which include socio-economic data such as income, occupation, education, disability, and ancestry, are necessary for the distribution of nearly $200 billion in Federal funds annually to States, counties, and over 39,000 towns, cities, and other Governmental entities.
- In 2002, BEA will strive to maintain its number one international ranking in GDP timeliness, its high customer satisfaction rating of 4.3 (on a five-point scale), and accuracy and reliability of the GDP by incorporating data on new and rapidly growing economic activities, such as e-business.

Commerce's Emergency Steel and Oil and Gas Loan Guarantee Programs: The budget proposes to rescind $125 million of unobligated balances from these two loan guarantee programs ($10 million from the steel program and $115 million from the oil and gas program). Sufficient funds remain to address pending 2001 applicants for both programs. The oil and gas program was created in 1999 when oil and gas prices were far below current levels, and applications for the program have been particularly limited.

Small Business Administration (SBA): SBA supports small businesses through Federal guarantees, which increase the availability of capital and credit, by promoting Federal procurement opportunities, and by providing management and other business training. SBA's largest business credit programs are: the general business loan guarantee (7(a)) program; the certified development company program; and the small business investment company equity capital program. The budget anticipates that SBA will guarantee more than $17.5 billion in small business loans and equity investments in 2002.

The budget includes $5 million and proposes $25 million over the next five years for the Paul D. Coverdell Drug Free Workplace Program, which gives grants to organizations that help small businesses develop employee education programs and company drug policies. The New Freedom Initiative includes $5 million in technical assistance to help small businesses comply with the Americans with Disabilities Act and hire more people with disabilities.

The objective of SBA's loan guarantee programs is to correct market imperfections. The 2002 Budget recognizes that some small businesses may have trouble accessing capital but by increasing fees, the budget does not require the Government to subsidize their cost of borrowing.

The budget supports $20.5 million in loans ($35,000 and under) targeted to entrepreneurs traditionally considered "unbankable," largely due to inexperience with credit, lack of assets, or the need for ongoing technical assistance. To also increase the borrower's probability of success, the loans are complimented with $20 million in associated technical assistance.

- To further help people whose business needs for small loans (under $150,000) are not met by traditional lenders, SBA will implement changes enacted in 2001 to increase the percentage of 7(a) loan volume made to small borrowers from less than 10 percent to 20 percent.
- In 1999, SBA initiated an ongoing $10 billion loan asset sale program reflecting a recognition that the private sector can service these loans more effectively and

efficiently than the Government. SBA plans to conduct two asset sales during 2002. In addition, SBA will explore the feasibility of contracting out all loan servicing functions and closing unneeded loan servicing centers.

- In 2002, SBA will work with Federal agencies to achieve the Government-wide small business procurement goal of 23 percent of total Federal contracting dollars. Of the projected $180 to 200 billion in total Federal procurement in 2002, the Government expects to award $42 to 46 billion to small businesses.

Federal Trade Commission (FTC): FTC enforces various consumer protection and antitrust laws that prohibit fraud, deception, anti-competitive mergers, and other unfair and anti-competitive business practices in the marketplace.

- In 2002, FTC reports that it will protect consumers by stopping the sales of $400 million worth of fraudulent products, and save the public an estimated $1 billion by stopping anti-competitive business practices that lead to price increases, which are then passed on to consumers.

Federal Communications Commission (FCC): FCC works to encourage a fully competitive market place in communications and to promote affordable communications services for all Americans. Through introduction of more efficient licensing, FCC will ensure a more rapid introduction of new services and technologies. Through policy rulemakings and enforcement actions, FCC promotes competition in the public interest. FCC ensures efficient spectrum management; enforces commission rules, regulations and authorities; and promotes consumer information and awareness of communications options and providers through the dissemination of Commission decisions and actions. In 2002:

- FCC will achieve 90 percent of licensing activities within established timeframes; and

- eighty percent of all FCC applications will be filed electronically.

Financial Regulation

Federal Deposit Insurance: Federal deposit insurance protects depositors against losses when insured commercial banks, thrifts (savings institutions), and credit unions fail. Currently, the Federal Deposit Insurance Corporation (FDIC), and the National Credit Union Administration's (NCUA's) funds insure more than $3 trillion in deposits at more than 20,000 institutions. Five agencies regulate federally-insured depository institutions to ensure their safety and soundness: the Office of the Comptroller of the Currency regulates national banks; the Office of Thrift Supervision regulates thrifts; the Federal Reserve regulates State-chartered banks that are Federal Reserve members; FDIC regulates other State-chartered banks; and, NCUA regulates credit unions.

- In calendar year 2001, FDIC will perform more than 2,600 safety and soundness examinations.

- In 2002, NCUA will reduce the percentage of federally-insured credit unions that are undercapitalized to two percent of operating credit unions.

Securities and Exchange Commission (SEC) and Commodity Futures Trading Commission (CFTC): SEC regulates U.S. capital markets and the securities industry and facilitates capital formation. The CFTC regulates U.S. futures and options markets. Both regulators protect investors by preventing fraud and abuse in U.S. capital markets and ensuring adequate disclosure of information. In 2002:

- SEC will examine every investment company complex and every investment advisor at least once during each five-year and 5.7-year examination cycle, respectively.

- CFTC will review every contract market designation application and derivatives transaction execution facility registration application within 30 to 60 days and respond to applicant exchanges with a notification letter. CFTC will also review requests for approval of products and rule changes within 90 days and respond to

trading exchanges (e.g., Chicago Board of Trade).

Commerce Tax Expenditures

The tax law provides expenditures to encourage business investment. The Government taxes capital gains at a lower rate than other income. The tax law provides more generous depreciation allowances for machinery, equipment, and buildings. This business expenditure is estimated to cost the Government $35 billion in 2002. Other tax provisions benefit small firms generally, including the graduated corporate income tax rates, preferential capital gains tax treatment for small corporation stock, and write-offs of certain investments. Credit unions, small insurance companies, and insurance companies owned by certain tax-exempt organizations also enjoy tax preferences.

The Taxpayer Relief Act of 1997 significantly changed the tax treatment and lowered tax rates for long-term capital gains. Also, during the last few years, several capital gains provisions were enacted to limit certain perceived abuses related to capital gains taxes. The capital gains tax expenditure will cost the Government almost $43 billion in 2002. In addition, the law does not tax gains on inherited capital assets that accrue during the lifetime of the original owner. Recent tax law changes also provided an increase in expensing for small businesses, and an increase in the top corporate tax rate.

9. TRANSPORTATION

Table 9–1. Federal Resources in Support of Transportation
(In millions of dollars)

Function 400	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	15,172	18,912	16,836	17,790	18,190	18,558	18,970
Mandatory Outlays:							
Existing law ...	2,107	2,219	1,796	2,046	1,982	1,913	1,890
Credit Activity:							
Direct loan disbursements ...	323	403	709	1,109	1,542	1,993	2,221
Guaranteed loans ...	886	634	418	218	218	218	218
Tax Expenditures:							
Existing law ...	2,090	2,220	2,370	2,520	2,670	2,840	3,010
Discretionary Budgetary Resources.	49,668	57,261	57,736	60,099	61,449	62,790	64,195

The security, economic prosperity, and social well being of the Nation are dependent on the efficient movement of people and commerce. America's transportation system is an indispensable component in moving people and goods. Our transportation system must enable the Nation to sustain its economic growth and enhance the quality of life for all Americans. In 2002, the Federal Government will invest over $57 billion on transportation to continue to improve the Nation's transportation system, build and maintain the transportation infrastructure, and ensure safety for the traveling public.

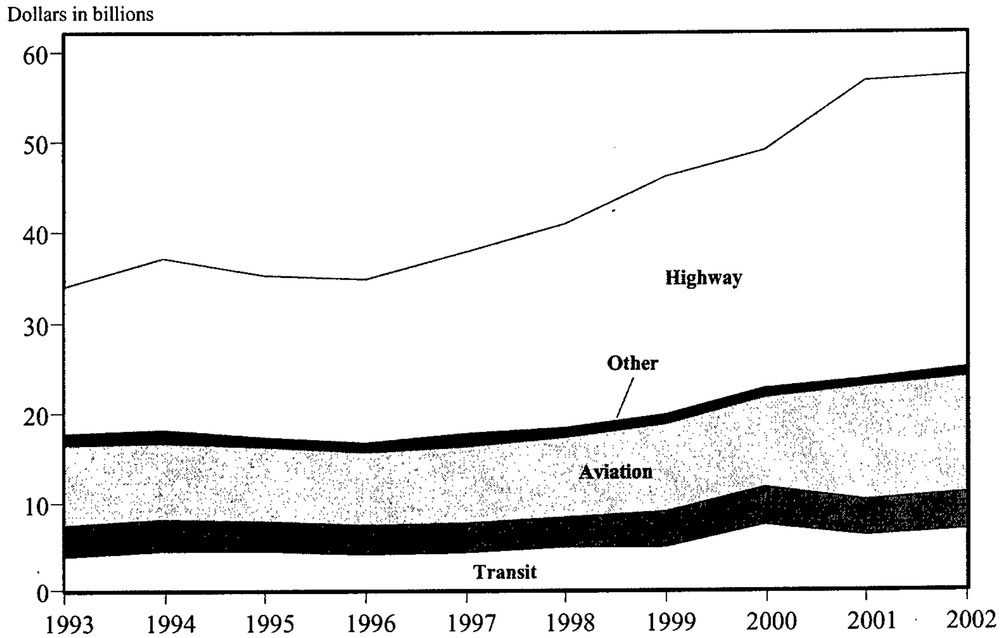
Significant investments have been made in Federal transportation infrastructure in recent years. The challenge the Administration and the Department of Transportation (DOT) now face is how to maximize the effectiveness of new investments and ensure vigilant management and oversight of taxpayer resources. DOT plans to target its efforts on a number of unresolved critical transportation problems over the next year in the areas of tire and truck safety, aviation system modernization, Coast Guard fleet replacement, and highway grant oversight and accountability. (See Chart 9–1.)

Transportation Safety

Ensuring transportation safety is one of the highest priorities of the Federal Government. This budget continues Federal efforts to work with State and local governments and private groups to minimize the safety risks inherent in transportation. DOT leads efforts to regulate motor vehicle design and operation; inspect commercial vehicles; design, build, and operate safer roadways; educate the public regarding safety; direct air and waterway traffic; rescue mariners in danger; monitor railroad safety; and conduct safety research. The budget recommends $7.3 billion for safety programs to meet this challenge.

A range of Federal programs and activities has helped to reduce the number of deaths and injuries from highway crashes. Federal programs reach out to State and local partners, industry, and health care professionals to identify the causes of crashes and develop new strategies to reduce deaths, injuries, and the resulting medical costs. These partnerships yield results. For example, the partnership against drunk driving helped the Nation hold alcohol related highway fatalities to an estimated 38 percent of all highway deaths in 2000. And, efforts continue to

Chart 9-1. Department of Transportation Budgetary Resources



Note: Data includes only discretionary budgetary resources.

reduce the roughly 41,000 deaths and three million injuries that occur each year on the Nation's roadways.

Highway and Truck Safety: The budget includes $196 million for the National Highway Traffic Safety Administration (NHTSA) Operations and Research program. Along with coordinating national traffic safety efforts such as increasing seat belt use, NHTSA regulates the design of motor vehicles, researches design improvements for crash worthiness, and investigates reported safety defects. In 2002, safety defect investigations will continue to focus on improved defect testing, database modernization, and enhanced consumer complaint processing. NHTSA will also concentrate its efforts on updating the tire safety standard and increasing crash data collection to capture information regarding tire failure. In 2002, NHTSA will distribute $223 million in highway traffic safety grants that target increased seat belt use, decreased alcohol-related fatalities, and efforts to improve State safety data. Additional programs are designed to reduce drunk and drugged driving, and focus on reducing injuries and fatalities among minorities and youth, and in rural communities.

In partnership with the highway community and NHTSA, the Federal Highway Administration (FHWA) works to identify top roadway and vehicle safety issues and countermeasures. In 2002, safety construction programs will contribute an estimated $765 million to correct unsafe roadway design, remove roadway hazards, and fund other safety construction programs.

Highway safety programs are targeted to reduce the rate of highway-related fatalities and injuries per 100 million vehicle miles traveled (VMT). In 2000, NHTSA estimated that there were 1.6 fatalities per 100 million VMT, and 119 highway-related injuries per 100 million VMT. The Department's 2002 goal is to:

- Reduce the rate to 1.4 highway-related fatalities per 100 million VMT and 111 highway-related injuries per 100 million VMT.

The Federal Motor Carrier Safety Administration (FMCSA) prescribes motor carrier safety regulations and conducts interstate enforcement efforts to enhance motor carrier safety. FMCSA also collects motor carrier safety data and reviews safety operations. States will continue to receive dedicated funding to heighten oversight of commercial (e.g., large truck and bus) license, vehicle, and driver inspection at roadside locations in an effort to keep unsafe vehicles and drivers off our Nation's highways. The budget includes $183 million for grants to States to enforce Federal and State standards for commercial motor vehicle safety inspections, traffic enforcement, and compliance reviews.

To ensure that trade between the United States and Mexico, under the North American Free Trade Agreement, is accomplished safely, the budget includes $88 million for additional inspectors and $56 million for State funding for construction and operation of border safety inspection facilities. An additional $17 million is included for information systems and strategic initiatives aimed at improving motor carrier safety and $5 million is provided to continue a comprehensive study on commercial motor vehicle crash causation initiated in 2001. One of the prime highway safety goals of FMCSA is to:

- Reduce the number of motor carrier fatalities to no more than 4,710 in 2002.

Aviation Safety: Perhaps the Federal Government's most visible transportation safety function involves air traffic control and air navigational systems. The Federal Aviation Administration (FAA) provides air traffic service to over two flights per second, moving 1.8 million passengers safely each day. In 2002, the FAA will perform nearly 325,000 safety-related inspections. The budget includes $6.9 billion for FAA operations and $2.9 billion for capital modernization. In total, a 6.7-percent increase over 2001. FAA seeks to:

- Achieve an 80-percent reduction in the fatal accident rate for U.S. commercial air carriers by 2007. The 2002 target is .038 accidents per 100,000 departures. While FAA's annual targets may fluctuate due to the limited number of accidents, they generally follow a downward slope to the 2007 80-percent reduction goal.

- Reduce the number of runway incursions with a target for 2002 of 236 incursions. In 2000, there were 403 incursions, up from 330 in 1999. To counter the increase in runway incursions, the FAA has identified and established strategies under its Runway Incursion Program 2000 Blueprint.

Coastal Waterway Safety: The Federal Government plays a key safety role on our waterways. On average, Coast Guard efforts result in the rescue of one life every two hours. The Coast Guard works to improve maritime safety by preventing incidents and mitigating the effect of accidents. In 2000, the Coast Guard saved 93 percent of all mariners reported in imminent danger. To accomplish this, the Coast Guard operates radio distress systems, guides vessels through busy ports, and operates reliable and safe navigation systems. It also regulates vessel design and operation, enforces United States and international safety standards, provides boating safety grants to States, and supports a 35,000-member voluntary auxiliary that provides safety education and assistance to regular Coast Guard units. The budget includes more than $4 billion for Coast Guard operations and capital, a 12-percent increase compared with 2001. With this funding, the Coast Guard seeks to:

- Limit the number of recreational boating fatalities to less than 742 in 2002. In 2000 there were 742 recreational boating fatalities in our coastal regions and inland waterways.

Rail Safety: The budget includes $154 million in 2002 for Federal railroad safety programs that work in partnership with the rail industry. The Safety Assurance and Compliance program brings together rail labor, management, and the Federal Government to determine causes of safety problems. This partnership has produced results: record low levels in the number and rate of overall rail-related fatalities and injuries. In 2000, the fatality level was the lowest level since 1981. The Federal Railroad Administration seeks to:

- Reduce the rate of rail-related fatalities to 1.20 fatalities per million train miles or less in 2002. In 2000, the rate was estimated to be 1.29 fatalities per million train miles.
- Reduce the grade crossing accident rate in 2002 by 0.35 percent compared with 2000.

Pipeline and Hazardous Material Safety: Similarly, the Federal Government has implemented several important initiatives in its pipeline safety program to reduce the risk of pipeline failures. These include oversight and enforcement of recently strengthened Federal pipeline safety standards, assistance to communities in protecting their citizens from pipeline failures, expanded partnership with States, and research and development efforts. The budget includes $54 million for pipeline safety programs, a 15-percent increase above 2001. The Research and Special Programs Administration, through its Office of Pipeline Safety, seeks to:

- Reduce the number of natural gas transmission pipeline failures by almost four percent since 1999 to no more than 4,301 failures in 2002.
- Reduce the spillage rate of hazardous liquid materials shipped by pipelines (in tons) per million ton-miles to 0.0142 in 2002. In 2000, the spillage rate was 0.0131.

The Federal Government also develops regulations and standards to ensure the safe transportation of hazardous materials, and enforces those standards for every mode of transportation. The budget includes $113 million for hazardous materials safety programs, an eight-percent increase over 2001. The Federal Government seeks to:

- Reduce the number of serious hazardous materials incidents in transportation to 391 or fewer in 2002. In 2000, there were an estimated 396 serious hazardous material incidents.

Infrastructure and Efficiency Investment

Mobility as much as any other factor defines us as a Nation. It connects people with work, school, community services, health care, markets, religious facilities, and other people. The U.S. transportation system carries over 4.6 trillion passenger miles of travel and 3.9 trillion ton miles of freight every year—generated by more than 276 million travelers and six million businesses. The Federal Government helped develop large parts of the system, with funding supported by user fees and transportation taxes. Investment is targeted to maintaining and improving the existing system while at the same time advancing safety, quality, efficiency, accessibility, and the intermodal character of transportation infrastructure. This investment ensures the Nation will meet commerce needs and enhance its efficiency. The budget includes $42.3 billion in mobility funding to meet this challenge.

Highways and Bridges: More than 958,000 miles of roads and bridges are eligible for Federal support, including the National Highway System (NHS) and Federal lands roads. For 2002, the Transportation Equity Act for the 21st Century (TEA-21) provides $31.6 billion for the Federal-aid highway program. About 90 percent of these funds are distributed to the States by formula, primarily for highway-related projects, including the preservation and expansion of eligible roads and bridges. This funding comes from Federal motor fuel and truck taxes, mainly the gasoline tax, which is currently 18.4 cents per gallon, of which 15.44 cents goes into the Highway Trust Fund's Highway account to finance grants to States and local governments for highway related repair and improvement.

In aggregate, State and local governments provide 63 percent of highway and bridge infrastructure spending, most of which they generate through their own fuel and vehicle taxes. The average State gasoline tax was approximately 20 cents per gallon in 2000. State and local governments accelerate their infrastructure projects through debt financing, such as bonds and revolving loan funds. FHWA will work with State and local governments in 2002 to:

- Maintain 95 percent or more of NHS miles in a condition that meets pavement performance standards for acceptable ride quality. The NHS carries one trillion, or 43 percent, of all vehicle miles traveled.

The condition of the system affects public safety, wear-and-tear on vehicles, fuel consumption, travel time, congestion, and comfort. In 2000, the estimated percentage was 94 percent.

- Hold the growth in average annual hours of extra travel time due to delays over 30 minutes to a total of 34 hours in 2002. In 1999, the individual urban traveler experienced an average 32 hours of extra travel time due to delays. Without projects that improve traffic flow, this would grow to 35 hours of extra travel time. Clearly, traffic congestion is a problem which DOT will need to devote increasing attention.
- Reduce the percentage of bridges on the NHS that are deficient—from 21.5 percent in 2000 to 21 percent in 2002.

Transit: As with highways, the Federal Government assists State and local governments to improve mass transit. Of the Federal motor fuels tax, 2.86 cents per gallon goes to fund mass transit improvements. Federal capital grants comprise about half of the total spent each year to maintain and expand the Nation's 6,000 bus, rail, trolley, van, and ferry systems. Together, States and localities invest over $3.5 billion a year on transit infrastructure and equipment.

Federal funding growth has been substantial. In 2002, TEA-21 provides $6.6 billion for transit infrastructure. The Federal role is especially important in financing new urban bus and rail transit systems, as well as rural bus and van networks. Millions of Americans use transit for their daily commute, easing roadway congestion and reducing air pollution. Many riders depend on public transportation to access employment, schools, healthcare, and social services. Transit can also provide economic opportunity. For example, the Job Access and Reverse Commute program helps provide transportation services in urban, suburban, and rural areas to assist welfare recipients and low-income individuals reach employment opportunities. The Administration proposes to target transit funding to communities with the greatest need. To ensure that local governments play a major role in funding transit "New Starts," the budget recommends a cap on Federal participation at 50 percent starting in 2004. The Federal Transit Administration seeks to:

- Increase transit ridership to 47.5 billion passenger-miles traveled in 2002. In 2000, transit rider ship was 45.3 billion passenger-miles traveled.

Innovative Financing: There are a number of financing innovations designed to streamline procedures, improve existing programs, and implement new ideas for improving the Nation's transportation infrastructure. In total, these initiatives are helping advance over 200 projects, representing a total capital investment of more than $20 billion. For example, there is the Transportation Infrastructure Finance and Innovation Act (TIFIA) program, authorized by TEA–21. TIFIA provides Federal credit assistance to major transportation investments of critical national importance, such as: intermodal facilities, border crossing infrastructure, highway trade corridors, and transit and passenger rail facilities with regional and national benefits. In 2000, $37 million of TIFIA budget authority supported $637 million in credit assistance. In 2002, an estimated funding level of $108 million should provide for as much as $2.4 billion in credit assistance.

Passenger Rail: The budget includes $521 million in 2002 to support Amtrak capital improvements and equipment maintenance. The Federal Railroad Administration seeks to:

- Increase Amtrak's intercity ridership to 26.7 million passengers in 2002. In 2000, 22.5 million passengers rode Amtrak. Amtrak ridership in 2000 was an all-time annual record, reflecting a 4.7-percent increase over 1999.

Amtrak's financial condition will demand continued oversight by DOT.

Aviation and Airports: The Federal Government seeks to ensure that the aviation system is safe, reliable, accessible, well integrated, and flexible. In 2002, the Administration will continue aggressive modernization of FAA air traffic control equipment, including the development of new technologies and instituting improvements to existing systems to decrease air traffic delays. The Free Flight Phase I program is implementing air traffic automation aids that allow controllers to use airspace and runway capacity more efficiently.

In addition, FAA is developing controller pilot data link and Global Positioning System technologies to improve efficiency in handling aircraft. Ongoing replacement of airport surveillance and beacon radar systems will improve the reliability of equipment used for air traffic control.

About 3,300 airports throughout the country are eligible recipients of Airport Improvement Program (AIP) funding provided in the Aviation Investment and Reform Act for the 21st Century, which reauthorized this program. AIP helps enhance airport capacity, safety, security, and noise mitigation. These funds augment other airport funding sources, such as bond proceeds, State and local grants, and passenger facility charges that airports are permitted to establish. With 98 percent of the population living within 20 miles of a public airport, most people have excellent access to air transportation. The budget includes $6.9 billion for FAA operations and $2.9 billion for modernizing air traffic control capital assets—in total $619 million, or seven percent, more than 2001. To ensure the most "bang-for-the-buck," the Administration is proposing to modify the Essential Air Service (EAS) program. EAS, which provides subsidies to air carriers serving small airports, would be targeted only to communities with limited transportation alternatives and which face great distances to air carriers. The Federal Government seeks to:

- Reduce the rate of air travel delays to 171 delays per 100,000 activities in 2002. In 2000, the rate of air delays was 250 delays per 100,000 activities.

While the FAA is funded at historically high levels, the Administration recognizes that substantial reform is necessary to make the aviation system more efficient. Current levels of aviation delay are unacceptable. The Administration supports efforts to institute improved business practices, organizational changes, and market-oriented techniques to strengthen FAA's operations and reduce system delays, recognizing the role of airlines and airports. As part of this effort, over the next year the Administration will work with the aviation community and Congress to develop a plan of action for improving the Nation's aviation record. In particular, the Administration will examine the success that various nations, including Canada, have experienced with individual air traffic control systems owned and operated by private companies.

Marine Transportation and Law Enforcement: For our Nation's commercial shipping infrastructure, the Coast Guard establishes and operates electronic and visual aids-to-navigation infrastructure that enables the safe movement of shipping. This includes ensuring that winter shipments such as fuel oil arrive without delay. The Maritime Administration and the Coast Guard are co-leading a joint cooperative effort with other Federal, State, and local government agencies and the private sector to review the Nation's Marine Transportation System (MTS). The MTS is faced with growing levels of demand, shifting and competing user requirements, and safety and information system improvements. The Federal Government seeks to:

- Limit the number of days that critical waterways are closed due to ice to no more than two days in an average winter. In 2000, there were no waterway closures due to ice conditions.

As a military service with civil law enforcement missions, the Coast Guard plays an important role in maritime security, through enforcement of a wide range of Federal laws on the Nation's waters. The budget provides new funding for the Coast Guard to continue implementation of the Western Hemisphere Drug Elimination Act and to recapitalize its fleet of aircraft and ships under an initiative entitled Deepwater. The Coast Guard's deepwater acquisition plan will be an Administration management and procurement initiative over the coming year. This procurement will be monitored carefully to ensure that Federal funds are efficiently and productively spent. These efforts will enhance drug interdiction efforts and improve the Coast Guard's capability to:

- Reduce the rate at which illegal drugs successfully enter the United States from the transit and arrival zones by 10 percent as compared to the 1996 base year.

- Hold the flow of undocumented illegal migrants entering the United States via maritime routes to no more than 13 percent of estimated entry attempts.

Research and Development

The Federal Government has a role in developing transportation technology. Federal research helps build stronger roads and bridges, design safer cars, reduce human error in operations, lower barriers to people with disabilities, and improve the efficiency of existing infrastructure.

Smart Roads: The Department's Intelligent Transportation Systems (ITS) program is developing and deploying technologies to help States and localities improve traffic flow and safety on streets and highways. ITS provides cost-effective ways to improve the management of our infrastructure, boosting efficiency and capacity. The Federal Government seeks to:

- Increase the number of metropolitan areas with integrated ITS infrastructure from 52 in 2000 to 61 in 2002.

Aviation Research: The FAA's research, engineering, and development programs help improve safety, security, capacity, and efficiency in the National Airspace System. For example, the development of improved weather forecasting and modeling tools will help reduce delays and prevent accidents and injuries caused by aircraft icing and turbulence. In 2002, the budget includes work on the impact of fatigue on performance and determining the causes of human error that lead to accidents. Work will continue on aircraft safety and fire protection methods that explore new ways to reduce the risk of aircraft fires and new inspection techniques to detect flaws in aging aircraft. Security and explosive detection systems research will develop machines that process baggage more rapidly and provide new technology for passenger and cargo screening. Research will continue on reducing aircraft noise and emissions.

The National Aeronautics and Space Administration (NASA) coordinates closely with FAA to develop new technologies that address challenges to growth in the Nation's aviation system in the areas such as air system safety, aircraft noise and emissions, and airport system congestion. For example, NASA will be undertaking a Virtual Airspace Modeling project to produce an advanced computer-model of the Nation's air traffic aviation system. This model will help the FAA and NASA develop new operational concepts and better understand where the benefits of new technologies will have the greatest leverage in reducing airport crowding and delays, while improving aviation safety.

- DOT, NASA, the Department of Defense, and private industry will work together on research to achieve an 80-percent reduction in the fatal aviation accident rate for commercial air carriers by 2007 (from a 1994–1996 baseline of 0.051 accidents per 100,000 departures). Research will focus on preventing equipment malfunctions, reducing human error, and ensuring the separation between aircraft and potential hazards.

Regulation of Transportation

Federal rules greatly influence transportation and constitute one of the key ways the Federal Government achieves desired transportation safety, mobility, accessibility, equity, and efficiency outcomes. In the past two decades, economic deregulation of the railroad, airline, and interstate and intrastate trucking industries has reduced costs for consumers and shippers, while improving service.

The Federal Government also issues regulations that promote safer, cleaner transportation. The regulations—of cars, trucks, ships, trains, and airplanes—have substantially cut the number of transportation-related deaths and injuries, improved the safe handling of hazardous materials shipments, and helped reduce the number of oil spills.

Where regulations are used to meet our transportation safety, security, equity, and environmental goals, the Government aims for rulemakings that are timely, cost-effective, and make common sense.

10. COMMUNITY AND REGIONAL DEVELOPMENT

Table 10–1. Federal Resources in Support of Community and Regional Development
(In millions of dollars)

Function 450	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	12,210	10,965	10,350	10,693	10,864	11,095	11,332
Mandatory Outlays:							
Existing law ...	–796	–647	–278	–662	–719	–833	–865
Proposed legislation ...	...	...	–12	–61	–123	–232	–377
Credit Activity:							
Direct loan disbursements ...	1,891	2,180	1,918	1,798	2,012	2,011	2,011
Guaranteed loans ...	1,418	2,798	2,450	2,020	1,760	1,829	1,860
Tax Expenditures:							
Existing law ...	1,180	1,400	1,890	2,450	2,420	2,600	3,090

Federal support of community and regional development helps build the Nation's economy and helps economically distressed urban and rural communities secure a larger share of America's prosperity. The Federal Government spends nearly $12 billion a year, and offers about $1.4 billion in tax incentives to help States and localities create jobs and economic opportunity, and build infrastructure to support commercial and industrial development. Federal programs have helped to stabilize and revitalize many of these communities, allowing them to expand their economic base and support their citizens, particularly those in need.

Housing and Community Development

The Department of Housing and Urban Development (HUD) provides communities with funds to promote commercial and industrial development, enhance infrastructure, and develop strategies to provide affordable housing close to jobs. HUD also provides grants and sponsors research to reduce the hazards created by lead-based paint in housing.

Community Development Block Grants (CDBG) provide funds for various community development activities directed primarily at low-and moderate-income persons. CDBG funds help to improve housing, public works and services, promote economic development, and acquire or clear land. Seventy percent of CDBG funds are given to more than 1,000 central cities and urban counties, and the remaining 30 percent go to States to award to smaller localities. There are also several smaller programs funded within the CDBG program. The University Partnerships Program provides grants to academic institutions, including Historically Black Colleges and Universities, Hispanic Serving Institutions, and Tribal Colleges. The Indian CDBG, a set-aside within the larger CDBG program, focuses mainly on public infrastructure, community facilities, and economic development on reservations.

In 2002, CDBG will support $4.4 billion in formula grants to States and entitlement communities. CDBG will also include two new initiatives. The first will provide $80 million in competitive grants to create or expand community technology centers in high

poverty areas and provide technical assistance to those centers. The second will be a competitive grant program to provide funds to ADA-exempt civic, community, and religiously affiliated organizations to make their facilities accessible to the disabled.

The 2002 Budget provides $1.8 billion for HUD's HOME Investment Partnerships Program to expand the supply of affordable rental and homeownership housing for low and moderate-income families through acquisition, new construction and rehabilitation. In addition, new homebuyers can receive help in rehabilitating their homes and renters can receive help through direct tenant-based rental assistance programs. HOME funds are provided to every State and over 550 local governments who design the affordable housing programs that best address their needs. HOME also supports homeownership assistance counseling programs, and in 2002 a new down payment assistance initiative will be included.

Performance goals for the CDBG and HOME programs in 2002 include:

- producing approximately 161,000 units of rehabilitated and newly constructed housing for ownership and rental through the CDBG program;
- creating more than 114,000 jobs through CDBG;
- producing over 71,000 units of affordable housing and providing direct rental assistance to nearly 10,000 tenants through the HOME program; and
- providing down payment assistance to 130,000 new homebuyers through the new down payment assistance initiative to first-time homeowners program.

Empowerment Zones and Economic Development Tax Incentives

The Community Renewal and Tax Relief Act of 2000 provided for the designation of nine new Empowerment Zones (EZs), seven in urban areas and two in rural areas, bringing the total number of EZs to 40. EZs provide tax incentives and grants to carry out 10-year, community-wide strategic plans to revitalize designated areas.

The Act also created a new program under which 40 Renewal Communities will be competitively designated by HUD and an Advisory Council by December 31, 2001. Renewal Communities will be areas of pervasive poverty, unemployment and general distress, will receive tax incentives and wage credits.

In 2002, the Administration will work with communities to improve utilization of tax incentives available to EZ/ECs that currently are underutilized.

Community Capacity Building

The Department of Commerce's Economic Development Administration (EDA) provides assistance to communities to help build capacity and address long-term economic challenges through its nationwide program delivery network. EDA's public works grants help build or expand public facilities to stimulate industrial and commercial growth, such as industrial parks, business incubators, access roads, water and sewer lines, and port and terminal developments. EDA also assists communities in addressing sudden and severe economic downturns and in adjusting to downsizing and closure of defense facilities. The 2002 Budget requests funding for EDA programs of $335 million, the level authorized for 2002.

EDA's performance targets for 2002 include:

- Creating or retaining nearly 58,000 jobs and generating $1.94 billion in private-sector leveraged investment by 2011 with infrastructure development investments made in 2002. Interim performance measures in achieving long-term performance targets include nearly 5,800 jobs created or retained and $190 million in private sector investment by 2005.
- Achieving $277 million in State and local dollars being committed to EDA projects in 2002.
- Targeting 40 percent of EDA grants to areas of highest distress nationwide in 2002.

Community Development Financial Institutions

The Community Development Financial Institutions (CDFI) Fund seeks to promote economic revitalization and community development in distressed areas by increasing the availability of capital and leveraging private sector funds for community development banks, credit unions, venture capital funds, and microenterprise loan funds.

The 2002 Budget includes $68 million for the CDFI Fund. CDFI will also administer the New Markets Tax Credit, which is expected to stimulate $15 billion in new private capital investment in CDFIs and other qualified entities over 10 years.

The 2002 goals for the CDFI Fund include:

- providing financial and technical assistance to 100 CDFIs through the Core, Intermediary, and Technical Assistance programs; and
- leveraging $448 million in community development investments through the Bank Enterprise Awards program.

Rural Community Advancement

Because their needs are different, no single approach will help both urban and rural communities. To address this, the budget provides flexible funding through the Rural Community Advancement Program (RCAP). RCAP grants, loans, and loan guarantees stimulate economic development, help build rural community facilities, such as health clinics, day care centers, as well as water and wastewater systems. Under RCAP, States have increased flexibility within the three funding streams for Water and Wastewater, Community Facilities, and Business and Industry. The Department of Agriculture (USDA) State Directors have the authority to transfer up to 25 percent of the funding between any of the programs contained within a stream in order to tailor RCAP assistance to the specific rural economic development needs of individual States. USDA also provides loans through the Intermediary Relending Program (IRP), which provides funds to an intermediary such as a State or local government agency that, in turn, provides funds for economic and community development projects in rural areas.

The 2002 goals for these USDA programs include:

- retaining and creating 58,000 new jobs through the Business and Industry and IRP loan programs.

Department of the Interior

The Department of the Interior's (DOI) Bureau of Indian Affairs (BIA) helps Native American Tribes, organizations, and individuals improve their economies, natural resources, and communities. BIA administers more than 56 million acres of Indian trust lands, and assists Indian landowners in developing agricultural, grazing, forestry, mineral, oil, and gas resources. In addition, BIA helps Indian businesses secure private capital through its loan guarantee program and partnerships with other Federal agencies. BIA also assists Tribal governments in providing law enforcement, fire protection, employment training, housing assistance, and other community services. BIA provides support for 185 elementary and secondary schools, and 25 Tribal community colleges, and maintains more than 7,000 buildings, including school and dormitory facilities, 3,000 employee housing units, and more than 200 dams and irrigation facilities. Working with Federal, State, and local transportation agencies, BIA maintains and improves nearly 50,000 miles of road and 770 bridges that provide access to schools, employment, health, and other public services.

BIA's goals for 2002 include:

- investing $123 million to replace the remaining six schools on the 2000 priority list: Fort Wingate Elementary Boarding School Dormitory and Santa Fe Indian Boarding School in New Mexico; Pollaca Elementary School and Holbrook Boarding School Dormitory in Arizona; Ojibwa Elementary and Middle School in North Dakota; and Paschal Sherman Boarding School in Washington;
- providing $165 million to further reduce the backlog of maintenance and repair needs at BIA schools. With continued funding at this level and stronger over-

sight, BIA would eliminate the current $942 million backlog over five years;

- providing $25 million to implement recently enacted Indian land and water settlement agreements for tribes in California, Colorado, New Mexico, Michigan, and Utah; and
- providing $12 million to improve Indian trust program operations, while continuing to work with DOI's Special Trustee for American Indians on installing modern trust fund accounting and management systems for more accurate and timely information on payments to over 263,000 tribal and individual accounts.

Regional Development Programs

Federal efforts have been instrumental in shaping the economic development and prosperity of many U.S. regions through targeted assistance programs. Two areas in which longstanding efforts have been underway are the Tennessee Valley and the Appalachian Region. More recently, Federal resources have been leveraged to provide substantial financial and technical assistance to the District of Columbia and the Mississippi Delta Region, both of which have struggled with unique financial and economic problems.

Appalachian Region: The Appalachian Regional Commission (ARC) targets its resources to highly distressed areas in 13 States in Appalachia, focusing on critical development issues on a regional scale, and making strategic investments that leverage other Federal, State, local, and private participation and resources.

In 2002, ARC-supported activities throughout Appalachia are expected to:

- provide more than 30,000 households with access to new or improved water, sewage, or waste management systems;
- provide educational and worker training programs to more than 25,000 students; and
- place 100 physicians in health professional shortage areas.

District of Columbia: To fulfill the Federal Government's commitments to the District of Columbia under the Revitalization Act, the Administration's budget proposes $494 million for District courts and corrections, including $201 million to house the District's sentenced felon population, $147 million for the Court Services and Offender Supervision Agency, and $146 million for the District Courts.

In addition, the budget requests $17 million to continue the District's Tuition Assistance Grant Program.

Delta Region: The recently-created Delta Regional Authority (DRA) will provide a framework for coordinated Federal, State, and local government efforts to meet the development challenges in this region. The budget requests $20 million for DRA. DRA will focus on basic public infrastructure in distressed counties and isolated areas of distress; transportation infrastructure for the purpose of facilitating economic development in the region; business development; and job training or employment-related education.

The region is comprised of 236 counties and parishes in eight States: Alabama, Arkansas, Illinois, Kentucky, Louisiana, Mississippi, Missouri, and Tennessee. In the area's distressed counties, poverty estimates are more than double the national average and per capita income estimates are only 53 percent of the U.S. average.

Disaster Relief and Insurance

The Federal Government provides financial help to cover a large share of the Nation's losses from natural disasters. In the last 10 years, two major Federal disaster assistance programs—the Federal Emergency Management Agency's (FEMA's) Disaster Relief Fund and the Small Business Administration's (SBA) Disaster Loan program—have provided more than $43 billion in emergency assistance. The Federal Government shares the costs with States for infrastructure rebuilding; makes disaster loans to individuals and businesses to cover uninsured losses; and provides grants for emergency needs and housing assistance, unemployment assistance, and crisis counseling.

In recent years, emergency supplemental appropriations have been used to finance many of the costs associated with disasters.

In fact, emergencies have become a recurring feature of the budget process, where they have become magnets for special interest, non-emergency spending. The budget proposes a strategy that will ensure adequate funding for FEMA and SBA disaster programs (as well as DOI and USDA fire fighting programs), and limit disaster supplementals to extremely rare events by setting aside a reserve for emergency needs. The National Emergency Reserve will supplement these programs when significant needs arise and also supplement other Federal programs to the extent that they must respond to domestic disasters.

In addition to responding to disasters, much of FEMA's focus is disaster preparedness and mitigation. Since 1989, FEMA has provided $2.7 billion to States and communities following disasters for hazard mitigation projects to reduce the costs of future disasters. Recent Stafford Act changes, enacted in 2000, will ensure that a higher percentage of funds spent by the Federal Government and States following future disasters will be allocated to hazard mitigation activities.

The budget proposes two reforms that will help to ensure that States and localities make a significant commitment to preparing for disasters before they happen. First, the Administration proposes that publicly-owned buildings carry disaster insurance. States and communities that do not carry insurance should not be rewarded with disaster assistance unavailable to those who do carry insurance. Second, States will be expected to carry a larger share (50 percent) of the cost associated with hazard mitigation grants, the pre-1993 practice for the program. Shouldering a larger share of the costs will help to ensure that States select truly cost-effective projects, an incentive that is missing if most of the funding is provided by FEMA.

Communities participating in FEMA's flood insurance program, which provides the only source of affordable flood insurance to property owners, must mitigate future losses by adopting and enforcing floodplain management measures that protect lives and new construction from flooding. FEMA is also modernizing its inventory of flood plain maps and taking measures to mitigate properties experiencing repetitive flood damages.

The budget proposes two reforms that will end preferential treatment of certain properties in the program. First, flood insurance will no longer be available for several thousand properties that are flooded regularly, but that are not required to pay risk-based premiums. Starting in 2002, owners of these properties will be allowed one claim before being removed from the program. Second, the budget proposes phasing out subsidized premiums for vacation homes, rental properties and other non-primary properties. Both measures will help stabilize the program's long term finances.

The 2002 goals for FEMA include:

- increasing the number of flood insurance policies in force by five percent. FEMA has already overseen tremendous growth in the number of policies issued by the National Flood Insurance Program, which has grown to 4.2 million policyholders, with insurance coverage worth more than $500 billion.

For SBA's disaster loan program, the Administration proposes raising the interest rate charged to business borrowers from about four percent to a comparable maturity Treasury rate (estimated to be approximately 5.5 percent in 2002). With this change, businesses would continue to have access to low cost credit following disasters, but would face greater incentives to mitigate potential losses in the future.

SBA plans to continue working to reduce paperwork and simplifying the loan application process for its disaster loan program. SBA has already streamlined loan processing by introducing automated loan documentation and approval systems.

The 2002 goals for SBA's disaster loan program include:

- processing 80 percent of loans within 21 days of submission to SBA; and
- disbursing initial loan proceeds within three days of receipt of loan closing documents.

Tax Expenditures

Tax expenditures related to the Community and Regional Development function will total nearly $2 billion in 2002, and $12 billion from 2002 through 2006. About one-half of this amount is related to the tax incentives for EZs and ECs described earlier in this chapter.

The Administration also proposes to permanently extend the Brownfields tax incentive allowing favorable treatment of expenses incurred in cleaning up abandoned property that may be contaminated. Such cleanup is important because it revitalizes urban communities. In addition, in 2002 the Administration will implement the New Markets Tax Credit, which is expected to stimulate $15 billion in private capital investment over the next 10 years.

11. EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES

Table 11–1. Federal Resources in Support of Education, Training, Employment, and Social Services
(In millions of dollars)

Function 500	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	44,378	61,146	65,424	67,060	69,049	70,661	72,273
Mandatory Outlays:							
Existing law	10,266	9,145	14,304	14,522	14,757	15,315	16,183
Proposed legislation	....	....	90	315	387	393	398
Credit Activity:							
Direct loan disbursements	16,425	19,061	16,579	17,460	18,395	19,387	20,442
Guaranteed loans	26,602	29,501	30,742	32,421	34,228	36,153	38,202
Tax Expenditures:							
Existing law	36,030	37,780	38,770	40,410	43,210	45,010	47,500

DEPARTMENT OF EDUCATION

Elementary and Secondary Education

The President's education reform plan is devoted to two fundamental principles: that all children can learn, and that no child should be left behind. Our K-12 education system needs to do more to live up to its potential to prepare all our students for productive lives in the 21st Century. The academic achievement gap between rich and poor and Anglo and minority is large and, in some cases, growing larger. Nearly 70 percent of fourth-grade students in our highest-poverty schools cannot read at a basic level. And our high school seniors trail students in most industrialized countries on international math tests. This Administration is committed to improving the academic performance of America's youth.

The President's agenda measures how well we are educating our children, not in dollars or numbers of programs, but in results. The budget reflects a bold and ambitious plan for reauthorizing the Elementary and Secondary Education Act (ESEA) that places accountability for improved achievement at the center of K-12 reforms. It lays the foundation for learning by ensuring that every child can read by the third grade. It streamlines dozens of overlapping programs into five performance-based funding streams that allow States the flexibility to address their unique needs. And it empowers parents with more choices in the education of their children.

Accountability for Results: The President's plan would grant States and school districts unprecedented freedom from rules and regulations—in exchange for accountability for results. States will establish accountability systems built on high standards, annual tests, measurable goals, rewards for success, and sanctions for failure. They will be required to test students every year in grades 3–8 in math and reading so that parents, teachers, and communities will know if their schools and students are meeting State academic standards. The budget provides $320 million to support the costs of developing new assessments. Once accountability systems are in place, a new Federal fund will reward States and schools that improve student achievement. The budget also

provides $109 million, a $69 million increase, to expand the National Assessment of Educational Progress to administer tests in reading and math in 4th and 8th grade every year. These tests, sometimes called the Nation's report card, will provide additional information on whether States are on track toward success.

Part of the Administration's ESEA reauthorization strategy for improving accountability will be the implementation of performance-based grants. Once ESEA is passed this year, States will set performance targets for the major ESEA programs and strategies for meeting them. In future years, the Department of Education will revise and refine its own performance goals based on State targets and plans.

Title I—Closing the Achievement Gap for Disadvantaged Students: While the Federal Government is the junior partner to States and local governments in providing education to our children, it has a special obligation to our most disadvantaged students, in particular those who are low income or with limited English proficiency. The Title I Grants to Local Educational Agencies (LEAs) program enables high-poverty schools to provide extra educational assistance to help their students to catch up with their peers. The Administration seeks $9.061 billion, an increase of $459 million or 5.3 percent, to help students most at-risk of not reaching State standards improve their academic achievement. The President's plan would require States to set measurable performance targets to ensure that all groups of disadvantaged students improve, and would hold States, districts, and schools accountable for meeting those goals. Schools that fail to meet performance targets will receive help to turn themselves around. The Administration seeks $400 million within Title I Grants to LEAs for low-performing schools, a $175 million, or 78-percent, increase over 2001. States will use these funds to provide technical assistance and intensive interventions to improve achievement in schools that are failing to make sufficient academic gains. To ensure that no student is trapped in a chronically failing school, students in schools that are consistently low-performing will have the option of transferring to a better public school, or of using their share of Federal Title I funds to seek supplemental educational services or private school alternatives. This combination of accountability for improved achievement among all groups of students, extra help for struggling schools, and the unacceptability of chronic failure, provides powerful incentives for all Title I schools to use their funds on effective, proven practices in order to achieve results.

- The Administration's goal is to ensure that the performance of our lowest-achieving students and students in high-poverty schools will increase substantially in reading and mathematics.

Reading First: The budget builds a foundation for success by investing $900 million in the Reading First initiative to help all children read by the third grade. This new program will provide funds to States that establish comprehensive reading programs in kindergarten through third grade. States would be required to implement scientifically proven reading programs, train K-3 teachers in proven teaching practices, implement effective reading interventions for students who are falling behind, and use a reading diagnostic test in K-3 to identify students early who have reading difficulties. Ensuring that children receive effective reading instruction means that more children will get the help they need before they fall too far behind, and will result in fewer referrals to special education in later years. The budget also includes an additional $75 million for the Early Reading First initiative that helps implement research-based reading practices in existing pre-school and Head Start programs that feed into participating elementary schools. This program will help ensure that children enter school ready to learn to read.

- These two programs will help the Nation make significant progress toward the goal of ensuring that all students can read by the third grade.

Improving Teacher Quality: Improvements in student achievement begin with an effective teacher in every classroom. Unfortunately, some schools are not yet meeting this challenge. They are unable to retain promising new teachers and employ a complete staff of fully qualified teachers. Currently, 22 percent of all new teachers leave teaching in their first three years of service. In high-poverty

secondary schools, 12 percent of teachers only hold a temporary or emergency certification, and 18 percent teach out of their field of expertise. The President requests $2.6 billion, an increase of $0.4 billion to prepare, train, and recruit a high-quality teaching force. States would have the flexibility to invest these funds to address their most pressing quality improvement needs, whether it be to alleviate shortages, enhance skills, or reform the certification process. The President's plan combines the funding from the largest Federal teacher programs, including the Class Size Reduction program and Eisenhower Professional Development programs, into a streamlined, performance-based grant to States and school districts. In addition, the budget provides $30 million to expand and build on the Troops to Teachers program, currently adminstered by the Department of Defense, which helps military professionals become teachers and serve in high-need communities.

An expanded Math and Science Partnership program, administered by the National Science Foundation in coordination with the Department of Education, would provide funds to States to join with institutions of higher education to strengthen K-12 math and science instruction and curriculum. The Administration requests $200 million for this program (see Chapter 4, "General Science, Space, and Technology").

- One performance goal of this program is to help increase the percentage of teachers with improved knowledge and skills in core academic subjects.

Moving Limited English Proficient Students to English Fluency: Over the last two decades, the population of limited English proficient (LEP) children in the 50 States has grown dramatically, increasing from less than one million in 1980, to approximately 3.4 million in the 1996–1997 school year. LEP students face unique challenges in achieving to the same high standards expected of all students—many must face the difficult task of learning the English language while simultaneously mastering the content of academic subjects. Unfortunately, many English language-learners, when compared with their English-fluent peers, receive lower grades and often score below average on standardized math and reading assessments. The President's reform plan proposes to consolidate Bilingual and Immigrant Education funds into a $460 million formula-driven grant to provide school districts with added flexibility in exchange for more effective transitioning of LEP and immigrant students into English fluency and for improving their overall achievement levels. States would be required to establish performance goals for English language acquisition and develop high-quality annual assessments to measure English language proficiency. In addition, both States and school districts will be held accountable for ensuring that LEP and immigrant students meet State academic achievement goals.

- The Administration's goal is to improve significantly the English proficiency and academic achievement of limited English proficient and immigrant students.

Indian Education: American Indians have made progress in recent decades but continue to be disproportionately affected by poverty and low educational attainment. For example, American Indian students, on average, score lower on the National Assessment of Educational Progress and the Scholastic Aptitude Test than other students. To address these issues, the budget provides $116 million to support formula grants to local educational agencies and Bureau of Indian Affairs operated schools to implement programs that address the special educational and cultural needs of Indian children. In order to address the critical shortage of trained Indian professionals in schools with high concentrations of American Indian students, funding for both the American Indian Teacher Corps and American Indian Administrator Corps initiatives will continue at the 2001 level.

- American Indian and Alaska Native students served by LEAs receiving Indian Education formula grants will progress at rates similar to those for all students in achievement to standards, promotion, and graduation.

Safe and Drug Free Schools: The President's plan for improving school safety and drug-use prevention emphasizes research-based practices, includes tougher enforcement of existing gun laws, grants teachers control over their own classrooms, improves

cooperation between school districts and law enforcement, and stresses accountability for results. Under the $644 million Safe and Drug Free Schools program, districts will be held accountable for the effectiveness of their crime prevention and drug outreach activities, and students trapped in persistently dangerous schools will have the option to transfer to a safe alternative.

21st Century Community Learning Centers: The budget includes $846 million for a more flexible after-school program that allows States to award Federal funds to school districts, private organizations, and faith-based entities, thereby empowering local communities to provide a wider array of choices for students and parents. Expanding access to high-quality before- and after-school programs is a key strategy in providing students safe and supervised environments and extending learning time to improve student achievement. States would conduct grant competitions to support before and after-school programs that are proven to be effective and advance statewide academic achievement goals.

This program will be supplemented by two new initiatives in other agencies. The budget requests $400 million for After-School Certificates within the Child Care and Development Block Grant in the Department of Health and Human Services to help low income working parents obtain quality after school childcare with a strong educational component. The Corporation for National and Community Service will provide $15 million for the Veterans Mission for Youth, a new initiative that will provide matching grants to community organizations that connect veterans and retired military personnel with America's young people through mentoring, tutoring, after-school and other programs.

The Choice and Innovation Fund: The most direct form of accountability is parents' ability to choose the school their children will attend. The Administration is committed to expanding the educational choices that parents and students have. Under the new Choice and Innovation fund, the Administration consolidates 10 programs to create a $472 million fund that provides States with the flexibility to pursue a range of effective education reform strategies, including school choice, that address areas of State and local need. A separate Reform and Innovation fund supports character education and allows the Secretary to fund projects that address national priorities in K-12 education.

Educational Technology: The budget supports a streamlined educational technology fund that consolidates nine overlapping programs into one flexible $817 million fund. The President believes that technology must be used to improve learning and that Federal funding for educational technology must focus on results. This performance-based formula grant will provide States greater discretion to make educational technology an effective learning tool, and ensure that more technology funds reach the classroom.

The Administration is seeking administrative improvements in the E-rate to ensure that this program provides greater flexibility to schools and libraries in how they use their E-rate discounts, while reducing the administrative burden they have faced in applying for educational technology funds. The Administration also proposes $80 million in matching grants, through the Department of Housing and Urban Development's Community Development Block Grant, to support Community Technology Centers in high poverty areas. (See Chapter 10, "Community and Regional Development.")

Impact Aid and School Construction: The budget proposes $1.130 billion for the Impact Aid program, a $137 million increase from the 2001 appropriation. The request provides a significant increase for the Impact Aid construction program to improve the quality of public school buildings and eliminate the backlog of repairs and construction for schools on or near military facilities and those serving children from Native American lands.

Special Education: Under the Individuals with Disabilities Education Act (IDEA), the Department of Education works with States to ensure that more than six million children with disabilities receive a "free appropriate public education" that prepares them for employment and independent living, and that all schools are held accountable for the educational results of special education children. The President's education reform plan will require States to report on the educational

progress of all student groups—including students with disabilities. In addition, the President's new Reading First initiative will help ensure that fewer children are referred to special education simply because they did not receive proper reading instruction in the crucial early years. The Administration seeks $7.3 billion for IDEA Part B Grants to States—the primary special education program—a $1 billion increase.

One measure of success in the IDEA program is the increase in the percentage of students with disabilities who are graduating from high school with a regular diploma and the reduction in the number who are dropping out.

- In the 1998–1999 school year, 57 percent of students with disabilities left school by graduating with a regular diploma and 29 percent dropped out of school. The Administration's goal for the 2001–2002 school year is that 59 percent of students with disabilities will graduate with regular diplomas and that no more than 27 percent will drop out.

Vocational and Adult Education: The President requests significant resources for the Department of Education's Vocational and Adult Education programs to help Americans of all ages obtain the training and education they need to succeed in a rapidly changing economy. Vocational Education programs, including State grants and Tech-Prep, help States and communities develop the academic, vocational, and technical skills of students in high schools and community colleges. Adult Education State grants and other programs fund State and local activities that enable adults to become literate and complete high school so that they can succeed as workers, parents, and citizens. Access to Adult Education programs is particularly important for recent immigrants and other limited English proficient adults who wish to learn English and further their education.

- The Administration's goal is to provide students with increased access to improved vocational and adult education programs that strengthen educational achievement, workforce preparation, and lifelong learning.

Postsecondary Education

Pell Grants: Low-income and minority students continue to lag behind their peers in college enrollment and graduation rates. In 1998, 77 percent of students from high-income families entered college after completing high school, compared to 46 percent of high school graduates from low-income families. To help increase access to postsecondary education for disadvantaged students, the Administration proposes to increase funding for Pell Grants by $1 billion in the 2002 Budget. This level would fund a $100 increase in the maximum award for all students, fill a projected shortfall of over $100 million in the 2001 award year, and create a small surplus in the program.

- At the President's budget level, over four million low- and middle-income college students would receive Pell Grants in 2002, when the maximum award would be $3,850.

TRIO: The gap in college enrollment rates between low-income students and other students is due to differences not only in financial resources but also in academic preparation and support. The President proposes a $50 million increase for TRIO programs to promote college success for disadvantaged young people. TRIO programs provide tutoring, college outreach, and student support services to help low-income, first-generation college, and disabled individuals achieve academic success beginning in middle school, throughout high school and college, and into graduate school.

- TRIO projects aim to increase participating students' persistence in and completion of academic programs. In 1998, 29 percent of participants in the TRIO program Student Support Services had earned a degree from the college where they began within six years.

Aid for Institutional Development: The President requests significant increases to Department of Education programs supporting Historically Black Colleges and Universities (HBCUs), Historically Black Graduate Institutions (HBGIs), and Hispanic-Serving Institutions (HSIs) as the first installment of the President's plan to increase funding for these institutions by 30 percent between 2001 and 2005. HBCUs and HBGIs receive a combined

$15 million, seven-percent increase over 2001; the increase for HSIs is $4 million, or six percent. The budget also includes funding to support Tribal Colleges and other institutions that serve low-income students and that have low per-pupil expenditures. This funding would help these educationally and historically important institutions increase their capacity to serve low-income and minority college students and will help ensure equal access to postsecondary education for all Americans. The performance goals for these programs are:

- The percentage of HBCUs, HBGIs, HSIs, and other institutions serving disadvantaged populations having specialized accreditation, a measure of academic program quality, will be maintained or increased. In 1998–1999, 75 percent of HSIs receiving title V grants and 71 percent of HBCUs, HBGIs, and other institutions receiving Aid for Institutional Development grants had at least one specialized accreditation.
- The percentage of full-time, degree-seeking students enrolled at HBCUs, HBGIs, HSIs, and other institutions serving disadvantaged populations who complete a degree or certificate will increase over time. In 1997–1998, 35 percent of students at four-year schools receiving Aid for Institutional Development completed their degrees within six years. Of students at two-year schools, 18 percent earned a degree or certificate or transferred to a four-year school within three years.

Student Loans: The Federal Government plans to provide nearly $37 billion in new student loans to 5.5 million borrowers in 2002. Loans are provided through two programs: the Federal Family Education Loan (FFEL) program and the Federal Direct Student Loan (FDSL) program. The FFEL program will originate approximately two-thirds of new loan volume through a network of approximately 4,100 private lenders, 36 guaranty agencies, 50 participants in the secondary markets, and over 4,000 participating schools. The Federal Government provides lenders with a 98-percent guarantee against default and interest subsidy payments to ensure a sufficient lender rate of return. The FDSL, created in 1993, provides the remaining third of new student loan volume directly from the Department of Education through participating schools.

Under current law, teachers who are employed in high-poverty schools for five years may have up to $5,000 of their Federal student loans forgiven. The Administration proposes to expand this program to allow individuals who majored in math or science and who teach those subjects in high-need schools to have up to $17,500 of their loans forgiven.

Vocational Rehabilitation Services: The Vocational Rehabilitation (VR) program helps individuals with disabilities prepare for and obtain gainful employment to the extent of their capabilities. State VR agencies are also required One-Stop partners under the Workforce Investment Act of 1998. The Administration proposes $2.5 billion for the VR program, an $82 million increase.

Today, the unemployment rate for Americans with disabilities is unacceptably high, and individuals with disabilities face significant obstacles in obtaining competitive employment in the general labor market.

- In 2002, one of VR's performance goals is that 63.2 percent of all individuals with disabilities served in the VR program will obtain employment, up from 62.5 percent in 1999.

New Freedom Initiative: In addition, the Department of Education's budget proposal supports part of the New Freedom Initiative, to help individuals with disabilities access the best assistive technologies of today, invest in research and development so even better technologies will be available in the future, and promote telecommuting opportunities for individuals with disabilities.

Management Reforms

Financial Management: Since 1996, when independent audits were first required, the Department of Education has received only one unqualified audit opinion, and that was in 1997. Beginning in 1999, separate independent audit reports have also been prepared for the performance-based Student Financial Assistance (SFA) Office. Audits of both the Department as a whole and SFA have repeatedly found major financial management

deficiencies. These failed audits indicate a potential for improper use of Government resources. Through investments in updated financial reporting systems, as well as better oversight and other management improvements, the Department expects to significantly increase the reliability and accuracy of its financial data. The Department's goals are:

- By 2002, the Department will have implemented and launched a new general ledger system and asset tracking software that will address many of the Inspector General's longstanding concerns about Education's financial management.
- For 2002, the Department will resolve all outstanding material weaknesses from prior reports and receive an unqualified ("clean") audit opinion on all of its financial statements.
- The Department will ensure that its information systems are safe and secure by implementing and testing contingency back-up plans.

Student Aid Modernization: The Department of Education manages the delivery of student aid benefits to over eight million students in approximately 5,300 postsecondary schools and oversees the direct and guaranteed loan systems, affecting 37 million individuals, 4,100 lenders, and 36 guarantee agencies. To correct perennial deficiencies in the Department's student aid operations, the Higher Education Amendments of 1998 created the Federal Government's first performance-based organization, with the goal of modernizing student aid delivery and management. Student aid modernization is dependent on better use of efficient technologies, simplification of business processes, and seamless coordination with myriad partners in the higher education community.

The three primary goals of the SFA Office, which is charged with this modernization effort, are to:

- *Improve customer satisfaction:* SFA has established the goal of increasing the satisfaction of customers of the student financial assistance programs to a level commensurate with private sector financial service firms. Under the national survey conducted by the University of Michigan in 1999, SFA scored 63 in satisfaction. The goal is to increase this rating to 74 out of 100 by 2002.
- *Reduce cost:* SFA has set a target to reduce the projected unit cost of delivering each student aid dollar by 19 percent by 2004. This cut in operating costs is necessary given flat administrative funding levels coupled with a fast-growing workload. In 2002, SFA will continue to re-invest all budgetary savings from reformed operations into the modernization effort in order to achieve its goal for 2004.
- *Improve employee satisfaction:* Recognizing that employee satisfaction is essential to modernizing the delivery of student financial assistance and achieving the aforementioned goals, SFA has committed to raising employee satisfaction, as measured by the Gallup Workplace Management (GWM) survey, to a level comparable to the private sector (3.6 out of 5.0) by 2004. SFA will use the GWM to measure satisfaction at the work group level in order to develop action plans aimed at improving any areas with low scores.

Default Prevention: Over the last eight years, outstanding student loan defaults have more than doubled from $12 billion to $25 billion, resulting in significant costs for taxpayers. As the loan programs continue to grow—outstanding loan volumes increased from $81 billion to $224 between 1993 and 2000—outstanding defaults will continue to increase unless the Department and its partners significantly improve default management and prevention activities.

During 2001 and 2002, the Department plans to work to minimize new defaults and maximize loan collections through continued counseling of students on their loan repayment responsibilities, improved early identification of problem loans, and implementation of loan management "best practices."

Reducing Erroneous Payments: As part of the Administration's Government reform effort to reduce erroneous payments to Pell Grant and student loan beneficiaries, the Departments of Education and Treasury plan to review their pilot program to match income data reported on student aid applications

against IRS data, as well as the results of two test matches, to determine whether a permanent matching program would be cost-effective and consistent with relevant statutes governing taxpayer privacy and privacy in data sharing between agencies. A match could enable the Department of Education to reduce fraud and improve eligibility determinations in Federal student aid programs.

DEPARTMENT OF LABOR

Elementary, secondary, and postsecondary education and training investments enable Americans to acquire the skills to get good jobs in an increasingly competitive global economy. In addition, most workers acquire more skills on the job or through the billions of dollars that employers spend each year to enhance worker skills and productivity. However, some workers also need special, targeted assistance. In addition to Pell Grants, student loans, and tax credits, the budget requests $6.6 billion for Department of Labor (DOL) programs that finance job training and related services. Workers who want to learn about job openings can use the One-Stop Career Center/Employment Service and DOL's popular America's Job Bank (AJB) web site, which lists an average of 1.5 million job vacancies daily and has over 10 million job searches each month. Employers can search through resumes posted on the AJB web site, with over 500,000 daily listings.

The Workforce Investment Act (WIA) of 1998: The WIA took full effect on July 1, 2000, as the Job Training Partnership Act was repealed and all States began to implement the WIA requirements. The WIA calls for a customer-driven job training system that focuses on: streamlining services through One-Stop Career Centers; empowering individuals with the information and resources they need to choose the training that is right for them; providing universal access to a core set of employment services, such as job search assistance; increasing accountability; ensuring a strong role for the private sector and the local boards who develop and oversee programs; facilitating State and local flexibility; and improving the quality of youth development and job training services.

In 2000, spending for the core WIA programs, including State grants for Dislocated Workers, Adults and Youth Activities, was well below expectations. The budget promotes efficiency by utilizing these unexpended balances to maintain current service levels in the core programs. The 2002 budget also supports the WIA goal of a streamlined job training system by reallocating funding from duplicative, or narrowly targeted programs in favor of the core WIA programs.

In addition, the budget addresses shortcomings of the WIA financial reporting system. Currently, DOL's Employment and Training Administration lacks an integrated information management system for the regular reporting of financial and performance data. The budget provides resources to increase DOL financial management capacity and to strengthen program management through specialized oversight and assistance to States and other grant recipients. The budget provides resources to improve the Department's financial reporting systems to strengthen accountability.

Over the next few years, DOL will work to implement fully the performance accountability provisions of the WIA. In July 2000, each State began implementing an accountability system to measure performance. The goal of this system is to optimize the return on investment of Federal funds directed to State and local workforce activities. This accountability system will assess the effectiveness of States and local areas in achieving positive outcomes and ensuring continuous improvement of their workforce investment systems. The WIA establishes core performance indicators related to unsubsidized job placements, retention, and increased earnings; customer satisfaction for job seekers and employers; and attainment of occupational or educational skills credentials. DOL worked with each State to establish appropriate baselines and challenging performance goals.

- The performance goals for the WIA Adult Program are to increase the employment, retention, and earnings of individuals registered. Specifically, in 2002, of those registered in the program, 70 percent will be employed in the quarter after program exit; 80 percent will be employed in the

third quarter after program exit; and the average earnings change, compared to the third quarter prior to registration, for those who are employed in the third quarter after program exit, will be $3,423.

- The performance goals for the WIA Dislocated Worker Program are to increase the employment, retention, and earnings replacement of registered individuals. Specifically, in 2002, 75 percent of those registered in the program will be employed in the quarter after exit; 85 percent will be employed in the third quarter after program exit; and, of those who are employed in the third quarter after program exit, their earnings will represent 92 percent of their pre-dislocation earnings.

- The performance goal for the WIA Youth Activities Formula Grants Program is to increase the number of youth making a successful transition to a career path. Specifically, in 2002, of the 14- to 18-year-old youth registered in the program, 53 percent will be either employed, in advanced training, post-secondary education, military service, or apprenticeships, in the third quarter after program exit. Of the 19- to 21-year-old youth registered in the program, 77 percent will be employed in the third quarter after program exit.

The WIA establishes strong ties between performance and funding. If a State fails to meet its expected levels of performance in any year, it will receive technical assistance from DOL. If a State continues to fail to meet its agreed-upon performance levels for a second year, or if a State fails to report its performance information in any year, its funding may be reduced by up to five percent. Because the WIA is a new program, the above goals will be regularly reviewed for appropriateness and rigor.

One-Stop Centers/Employment Service: The One-Stop Center/Employment Service provides a single point of contact for information about and access to education, job training and employment services, and a free labor exchange for all job seekers and employers. It is growing more effective through implementation of a One-Stop delivery system. The budget proposes $980 million for a range of information and services, including self-service access to job and labor market information, either through the Internet or in local offices, as well as staff-assisted services for those needing more help.

- The performance goal for the One-Stop Centers is to increase the total number of job openings listed with the public labor exchange, including State Employment Security Agencies (SESAs) and AJB. Specifically, in 2002, the program plans to increase the total number of job openings by five percent over the 2001 level to 13.5 million (AJB and SESAs) and increase the number of new employers that register with AJB by 10 percent to 76,000.

Work Incentive Grants: To enhance the employment prospects of individuals with disabilities, the budget includes $20 million for competitive grants to partnerships or consortia to provide new services and information for individuals with disabilities who want to return to work. These partnerships would work with the One-Stop system to augment its capabilities to provide timely and accurate information that people with disabilities need to get jobs and learn about the benefits available to them when they return to work. In addition, the partnerships would improve local service delivery by coordinating the State and local agencies and disability organizations that help individuals with disabilities prepare to enter or reenter the workforce.

Workplace Protections: DOL regulates compliance with various laws that protect individuals in the workplace—a minimum wage for virtually all workers, prevailing wages and equal employment opportunity for workers on government contracts, overtime pay, restrictions on child labor, and time off for family illness or childbirth. (For discussion of workplace safety programs, see Chapter 12, "Health.") In these areas, the Federal Government seeks to increase industry's compliance with labor protections through voluntary compliance efforts coupled with continued enforcement. DOL measures the success of these efforts against specific measurable goals:

- In the area of workplace protection, the performance goal for the Department is to increase compliance—including among employers which were previous violators and the subject of repeat investigations—with

labor standards laws and regulations in nationally targeted industries, including health care, garment and agriculture. For example, in 2002, the Department's goal is to increase the compliance rate in the nationally targeted industries (or sectors of those industries) by an average of at least five percentage points.

DEPARTMENT OF HEALTH AND HUMAN SERVICES

Promote Safe and Stable Families: The Administration for Children and Families (ACF) administers a number of programs that focus on preventing maltreatment of children, protecting children from abuse and neglect, and finding permanent placements for children who cannot safely return to their homes. To strengthen States' ability to promote child safety, permanency, and well-being, the President proposes to reauthorize the Promoting Safe and Stable Families program at $505 million in 2002, a $200 million increase over the 2001 level. These additional resources will help States to keep children with their biological families if safe and appropriate, to return children to their families, if possible, or to place children with adoptive families. By undertaking more preventative efforts to help families in crisis, the prospects for children to live in a permanent home are enhanced. To support these efforts, the President also proposes to provide an additional $2 million to expand collaborative Federal/State child welfare monitoring efforts. For those children who cannot live with their biological parents, the budget proposes to encourage increased adoptions by raising the adoption tax credit from $5,000 to $7,500.

- In 2002, decrease the percentage of children with substantiated reports of maltreatment who have a repeat substantiated report of maltreatment within six months from eight percent in calendar year 1998 to seven percent.
- Increase the number of adoptions from 46,000 in 1999 to 56,000 in 2002.

The President also proposes to provide greater assistance to older foster children. Approximately 16,000 young people leave foster care each year when they reach age 18 without an adoptive family or other guardian. Research indicates that these young people experience alarming rates of homelessness, early pregnancy, mental illness, unemployment, and drug abuse in the first years after they leave the system. To help these children, the budget proposes to provide $60 million through the Independent Living Program specifically for education and training vouchers to youth who are aging out of foster care. This initiative will help ensure that these young people are able to obtain the support they need to develop skills to lead independent and productive lives. Vouchers worth up to $5,000 would be available to cover the costs of college tuition or vocational training.

Mentoring Children of Prisoners: The Administration proposes to create a new $67 million initiative within the Promoting Safe and Stable Families program to assist children of prisoners. This initiative will provide grants through States to assist faith and community-based groups in providing a range of activities, including family-rebuilding programs that serve low-income children of prisoners and probationers.

Responsible Fatherhood Initiative: The budget includes $64 million in 2002 ($315 million over five years) to strengthen the role of fathers in the lives of families. This initiative will provide competitive grants to faith-based and community organizations that help unemployed or low-income fathers and their families avoid or leave cash welfare, as well as to programs that promote successful parenting and strengthen marriage. The initiative also will fund projects of national significance that support expansion of State and local responsible fatherhood efforts.

Head Start: Head Start is administered by ACF. The budget provides $6.325 billion for Head Start, a $125 million increase over the 2001 level.

- In 2002, Head Start will serve an estimated 916,000 children. Within the overall total of children served, approximately 55,000 children under age three will participate in the Early Head Start component.

The President has proposed to reform Head Start and return it to its original purpose—education. Head Start programs will be required to adopt a proven core curriculum that makes school readiness—pre-reading and numeracy—its top priority. The budget includes an Early Reading First program within the Department of Education for research-based reading programs in existing pre-school programs, including Head Start programs. Planning is also underway to move Head Start to the Department of Education to reinforce the emphasis on school readiness.

Compassion and Charitable Giving: The President proposes two initiatives to ensure that the Federal Government plays a larger role in providing support to charitable organizations. The "Compassion Capital Fund" will provide start-up capital and operating funds totaling $89 million in 2002 to qualified charitable organizations that wish to expand or emulate model programs. In addition, the fund will support and promote research on "best practices" among charitable organizations. Finally, to encourage States to create state tax credits for contributions to designated charities, the budget will propose legislation to allow States to use Federal Temporary Assistance to Needy Families funds to partially offset revenue losses.

Maternity Group Homes: The budget also includes $33 million in 2002 for maternity group homes, which are community-based, adult-supervised group homes or apartment clusters for teenage mothers and their children. The homes provide safe, stable, nurturing environments for teenage mothers and their children who cannot live with their own families because of abuse, neglect, or other extenuating circumstances.

Aging Services Programs: The Administration on Aging (AoA) administers information and assistance, home and community-based support services for older people and support programs that protect the rights of vulnerable, at-risk older people. In 2002, the budget proposes $1.1 billion for these AoA programs.

- In 2002, AoA will increase the number of meals served under the Home-Delivered Meals Program to 183 million, compared to 176 million meals in 2001.

NATIONAL SERVICE

The Corporation for National and Community Service supports programs providing service opportunities nationwide for Americans of all ages and backgrounds. The Corporation organizes its programs into three streams of service, with various annual performance goals.

National Senior Service Corps: The Senior Corps links the talents, skills, and experiences of more than 500,000 older Americans with service opportunities in the areas of education, public safety, health, human needs, and the environment. Members serve as Foster Grandparents, as Senior Companions, and in the Retired and Senior Volunteers Program (RSVP). In 2002, the budget proposes $203 million for the Senior Corps, a $14 million increase over 2001 and the first step of the President's five-year strategy to increase the annual funding for the Senior Corps to the $250 million over five years.

- For 2002, the Foster Grandparents and Senior Companions programs plan to serve some 160,000 special-needs youth and frail elderly, while RSVP volunteers will serve through more than 70,000 local organizations.

AmeriCorps: The AmeriCorps program helps Americans of all backgrounds to serve in local communities through programs sponsored by local and national nonprofits. Participants serve full or part-time generally for at least a year. For their service, participants become eligible to receive education awards that help pay for college, graduate school or re-pay student loans.

- For 2002, the AmeriCorps program plans to engage 50,000 Americans in community service, and provide education awards in return for such service.

Learn and Serve America: This program provides young people with opportunities to serve by connecting community service with academic learning, personal growth and civic responsibility.

- For 2002, the Learn and Serve program plans to engage more than one million students in elementary schools, high schools and colleges in service-learning programs.

CULTURAL AGENCIES

The Smithsonian Institution and Other Cultural Agencies: The Smithsonian Institution, the National Gallery of Art, the U.S. Holocaust Memorial Museum, the John F. Kennedy Center for the Performing Arts, and the Woodrow Wilson International Center for Scholars all have as part of their missions the advancement of knowledge and sharing that knowledge with the American public. To accomplish its mission, each institution must maintain its physical infrastructure and provide access to its unique assets. In 2002, each agency will undertake at least two management reform activities: addressing the backlog of deferred maintenance and enhancing management decisions through improved budgetary information.

The budget requests $494 million for the Smithsonian Institution, $80.4 million for the National Gallery of Art, $36 million for the U.S. Holocaust Memorial Museum, $34 million for the John F. Kennedy Center for the Performing Arts, and $7.8 million for the Woodrow Wilson International Center for Scholars.

To address the backlog of deferred maintenance, each agency will prepare a plan that encompasses renovation activities, annual maintenance, and backlog maintenance. The plans will also propose a strategy for how each agency will take appropriate action. The plans will be reviewed by an independent entity as part of a Government-wide review of cultural agency buildings and repair and restoration plans for museums.

Each of these agencies is, to some extent, a partnership between the Federal Government and the private sector, relying on funding from both partners. In order to assess the overall fiscal health and strategy of the enterprise, it is necessary to understand not only the Federal portion, but also the funding anticipated from private sources. Therefore, each agency will work to present its proposed budget for 2003 in a format such that the components are clearly identifiable, including projections for private funding.

The National Foundation on the Arts and Humanities: In 2002, the Administration proposes $105 million for the National Endowment for the Arts and $121 million for the National Endowment for the Humanities.

For the Institute of Museum and Library Services (IMLS), the Administration requests $193 million. IMLS awards grants and cooperative agreements to assist the Nation's museums and libraries in increasing and expanding their services to the public. In 2002, IMLS plans to invest in: responding to the educational needs of learners of all ages; providing the public with broad access to library and museum services; supporting technology to improve library and museum services; serving the changing informational and educational needs of families; helping museums and libraries expand their roles as centers of community engagement; preserving our cultural heritage; and maintaining efficient internal operations.

Commission of Fine Arts: The Commission of Fine Arts supports non-profit cultural entities in the Washington, D.C. region, using funds appropriated to its National Capital Arts and Cultural Affairs account. The budget requests $8.3 million for the Commission of Fine Arts. Currently, the support is through formulation-based grants. In 2002, the Commission will examine the benefits and consequences of implementing a competitive grants program, rather than awarding the funds based on formulas, in order to improve the quality of activities supported by Federal funds.

National Capital Planning Commission: The National Capital Planning Commission provides overall planning guidance for Federal land and buildings in the National Capital Region. The budget requests $7.3 million for the National Capital Planning Commission. The Planning Commission will examine the content and timeline of its Federal Capital Improvements Program, which coordinates proposed Federal land and building projects, to make it more useful to Federal agencies in their capital budgeting process.

Tax Expenditures

The Federal Government helps individuals, families, and employers (on behalf of their employees) pay for education and training, and helps State and local governments support education and training activities, through numerous tax benefits, which under current law will cost an estimated $39 billion in 2002, and $215 billion from 2002 to 2006.

The President proposes four new or expanded tax incentives. To help parents offset the increasing costs of education, the annual contribution limit for Education Savings Accounts would be increased from $500 to $5,000, and families would be allowed to withdraw these funds tax-free to pay educational costs from kindergarten through college. To encourage parents to save early for college, a full tax exemption would be available for all qualified pre-paid tuition and savings plans. The President also proposes a new tax deduction for teachers to deduct up to $400 annually to defray out-of-pocket classroom expenses, including books, school supplies, and professional development programs. The President proposes to help local school districts meet school construction demands by allowing tax-exempt State private activity bonds to be used for school construction and repair.

The President proposes to extend the Work Opportunity Tax Credit and the Welfare-to-Work Tax Credit, letting employers claim a tax credit for part of the wages they pay to certain hard-to-employ people who work for them for a minimum period. Other current tax expenditures continue under the budget, such as tax credits to help families offset the costs of higher education. In addition, State and local governments can issue tax-exempt debt to finance student loans or build facilities of non-profit educational institutions. Interest from certain U.S. Savings Bonds is tax-free if the bonds go solely to pay for education. Many employers provide education benefits that do not count as income.

12. HEALTH

Table 12–1. Federal Resources in Support of Health
(In millions of dollars)

Function 550	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority	33,823	38,858	41,008	45,663	46,882	48,130	49,397
Mandatory Outlays:							
Existing law	124,521	138,710	152,363	168,913	183,636	199,672	216,553
Proposed legislation	....	2,500	10,675	13,743	14,571	4,265	121
Credit Activity:							
Guaranteed loans	5	32	21	21	22	22	23
Tax Expenditures:							
Existing law	91,080	99,750	108,620	117,750	127,500	136,810	147,080

In 2002, the Federal Government will spend about $193 billion under existing law and allocate nearly $109 billion in tax incentives to provide direct health care services, promote disease prevention, further consumer and occupational safety, and conduct and support research. These Federal activities aim to improve the health of Americans as evidenced by key health statistics such as life expectancy and infant mortality. In addition, in 2002 Federal health programs will continue efforts to research and understand the causes of diseases such as cancer and diabetes, as well as to reduce the incidence of HIV and other infectious diseases. The Department of Health and Human Services (HHS), as the Federal Government's lead agency for health, will undertake a thorough examination across the entire Department to become more efficient and ensure a streamlined, rationalized budget and program structure.

Health Care Services and Financing

Of the estimated $193 billion in Federal health care spending in 2002, 84 percent finances or supports direct health care services to individuals.

Immediate Helping Hand (IHH): The Immediate Helping Hand initiative provides critical assistance to our Nation's most vulnerable senior citizens for the cost of their prescription drugs. It provides $46.0 billion for 2001–2005 to States to help low-income Medicare beneficiaries pay for their prescriptions. This proposal builds on coverage that is already in place in more than half the States and would provide benefits to 9.5 million vulnerable Medicare beneficiaries who currently do not have any other prescription drug coverage. The plan is unique because needy seniors will be able to get help with their prescription drug costs this year.

IHH covers the full cost of drug coverage for individual Medicare beneficiaries with incomes up to $11,600 who are not eligible for Medicaid or a comprehensive private retiree benefit, and for married couples with incomes up to $15,700 (135 percent of poverty) who do not have access to coverage. These beneficiaries would receive comprehensive drug insurance for no premium with nominal charges for prescriptions.

IHH covers part of the drug costs for individual Medicare beneficiaries with incomes up to $15,000 and married couples with incomes up to $20,300 (175 percent of poverty). These beneficiaries would receive subsidies for at least 50 percent of the premium for drug coverage.

IHH also provides catastrophic drug coverage for all Medicare beneficiaries, giving them financial security against the risk of very high out-of-pocket prescription expenditures.

Medicaid: This Federal-State health care program served about 33.4 million low-income Americans in 2000. States that participate in Medicaid must cover several categories of eligible people as well as several mandated services. The Federal Government spent $117.9 billion, 57 percent of the total, on the program in 2000 while States spent $89.1 billion, or 43 percent. Medicaid covers a fourth of the Nation's children and is the largest single purchaser of maternity care as well as of nursing home services and other long-term care services; the program covers almost two-thirds of nursing home residents. The elderly and disabled made up a third of Medicaid enrollees in 2000, but accounted for approximately two-thirds of spending on benefits. Medicaid serves at least half of all adults living with AIDS (and up to 90 percent of children with AIDS), and is the largest single payer of direct medical services to adults living with AIDS. Medicaid pays for over one-third of the Nation's long-term care services. Medicaid spends more on institutional care today than it does for home and community-based care, but the mix of payments is expected to be almost equal in 10 years.

Current restrictions and requirements in the Medicaid program may be inhibiting the States' ability to operate the program efficiently. In addition to taking steps to further address the Medicaid upper payment limit loophole, the Administration plans to consult with the States on the development of ideas to increase State flexibility, control Medicaid costs, improve Medicaid coverage, and ensure the fiscally prudent management of the Medicaid program.

A major Administration priority is to improve the quality of Medicaid coverage. Because the Health Care Financing Administration (HCFA) and States jointly administer Medicaid, HCFA has worked with State Medicaid agencies to develop national performance goals for Medicaid. These efforts will continue in 2002. With respect to the goal of increasing immunization rates among Medicaid children, HCFA will continue to collaborate with States to develop individualized State immunization goals, with each State developing its own methodology, baseline, and three-year target. In 2002, the first and second groups of States will report their progress towards their State goals, and the final group of States will establish their baselines and targets. HCFA's goal complements the Centers for Disease Control and Prevention's (CDC's) broader 2002 goal of helping States ensure that at least 90 percent of all U.S. children by age two receive each recommended basic childhood vaccine.

State Children's Health Insurance Program: The State Children's Health Insurance Program (S-CHIP) was established in 1997 in the Balanced Budget Act to provide $24 billion over five years for States to expand health insurance coverage to low-income, uninsured children. S-CHIP provides States with broad flexibility in program design while protecting beneficiaries through basic Federal standards.

Each State's S-CHIP plan describes the strategic objectives, performance goals, and performance measures used to assess the effectiveness of the plan. HCFA has been working with the States to develop baselines and targets for the S-CHIP/Medicaid goal of decreasing the number of uninsured children by enrolling children in S-CHIP and Medicaid. In 2000, 3.3 million children were enrolled in S-CHIP, a 70-percent increase over 1999 levels. However, more than twice as many children remain uninsured.

Other Health Care Services: In addition to Medicare and Medicaid, HHS administers a number of other programs, some of which have been added to the inventory of HHS activities over the last several years. As a result, HHS has evolved into a sprawling, loosely organized bureaucracy where several programs are serving similar populations. During 2002, HHS will ensure strong centralized control and coordination to eliminate overlap and duplicative activities. Selected health-related 2002 performance goals are highlighted below.

- *Access to health care:* The budget includes a Community and Migrant Health Center (CMHC) initiative to increase access to

health care by supporting 1,200 new and expanded community health center sites over five years. In 2001, 3,263 CMHC sites delivered high quality, culturally competent care to millions of uninsured and underserved Americans. In 2002, the number of health center sites will increase by almost 100. By increasing the number of health care access points, CMHCs will be able to help assure the provision of preventive and primary health care to almost one million more individuals than were served in 2001.

- *Healthy Communities Innovation Fund (HCIF):* The 2002 Budget includes an HHS-wide HCIF initiative that will make available approximately $400 million within existing grant activities to target innovative solutions in areas of health risks such as heart disease, adult and childhood Type II diabetes, and childhood obesity. HHS will ensure that the best and broadest range of innovative solutions are funded across the country.

- *Indian Health Service (IHS):* IHS is committed to addressing the major health problems afflicting Native Americans and Alaska Natives and has targeted diabetes because of the high prevalence of this disease in this population. IHS' efforts in disease monitoring, prevention education, and treatment focus on improving the average blood sugar levels of IHS' diabetic patients. In 2002, IHS will demonstrate a continued trend in improved glycemic control in the proportion of Native American patients with diagnosed diabetes.

- *Substance Abuse and Mental Health Services Administration (SAMHSA):* SAMHSA is committed to narrowing the treatment gap between those in need of treatment and those with access to it, which is almost three million individuals. SAMHSA also seeks positive, measurable outcomes for those people who do receive treatment. By 2007, SAMHSA expects that those who complete substance abuse treatment programs will achieve a 10-percent increase in full-time employment status, a 10-percent increase in educational status for adolescents, a 10-percent decrease in illegal activity, and a 10-percent increase in general medical health.

- *Youth drug treatment:* While drug use among youth increased for much of the last decade, there has been some encouraging news in the most recent data. The percent of youths age 12 to 17 who reported current use of illicit drugs decreased from 11.4 percent in 1997 to nine percent in 1999. In 2002, SAMHSA will aim to cut monthly marijuana use in this population by 25 percent, from the 1998 baseline of 8.3 percent to 6.2 percent.

- *Services for the mentally ill:* The Surgeon General's 1999 report on mental health states that one in five Americans is living with a mental health disorder. Mental health services funded in SAMHSA will advance the goal of increasing the percent of adults with serious mental illness who are employed, are living independently, and have had no contact with the criminal justice system.

Consumer Product Safety Commission (CPSC): In 1999, there were an estimated 670,000 product-related head injuries to children under 15 years old. As a part of CPSC's effort to reduce head injuries by 10 percent by 2006, this independent agency recalled or took corrective actions on 20 products in 1999 and 32 in 2000 that presented a substantial risk of head injury. In 2002, CPSC projects pursuing another 30 recalls or corrective actions of products that present substantial risk of head injury.

Bioterrorism: HHS' Office of Emergency Preparedness will work with localities to establish 25 new Metropolitan Medical Response Systems, which develop and link local public health, public safety, and health services capabilities to respond to a chemical/biological/nuclear terrorist incident, for a total of 122 systems in various stages of development by the end of 2002. HHS will spend $52 million in 2002 on a civilian stockpile of therapeutics to meet potential threats caused by the agents listed in the 1999 Antibioterrorism Plan: anthrax, plague, tularemia, smallpox, and nerve and blister agents. In 2002, HHS plans to meet preparedness targets for treating victims of these agents as specified in the Plan. Two new agents have been added to the list, and HHS

has begun determination of both treatment methods and victim numbers for these agents. Preparedness percentages will rise each year, with an expected readiness level of 100 percent to be reached for each agent on the list, including the two new agents, by 2004.

HHS' HIV/AIDS Prevention and Care Activities: HHS spends approximately $2.7 billion for the Centers for Disease Control and Prevention (CDC) and the Health Resources and Services Administration (HRSA) to prevent the spread of HIV/AIDS both domestically and increasingly, internationally, and provide appropriate treatment for those living with HIV/AIDS.

- By 2005, CDC will reduce the incidence of new HIV infections in the United States by 50 percent, from 40,000 in 1999 to 20,000 in 2005. As part of its efforts to achieve this goal, CDC will reduce the number of new infections by approximately six percent by 2002.
- Internationally, working with other countries, the U.S. Agency for International Development, and international and U.S. Government agencies, CDC will reduce the number of new infections among 15 to 24 year-olds in sub-Saharan Africa from an estimated two million, by 25 percent by 2005.
- There are an estimated 800,000 to 900,000 persons in the United States living with HIV infection, two-thirds of whom are aware of their status. HRSA's Ryan White CARE Act treatment efforts will increase the number of AIDS Drug Assistance Program (ADAP) clients receiving HIV/AIDS medications during at least one month of the year through State ADAPs from 65,387 in 2000 to approximately 72,000 clients in 2002.

Centers for Disease Control and Prevention: CDC is the leading prevention agency within the public health service and focuses on preventing and controlling disease, injury and disability. CDC's activities cover a broad range of programmatic areas from childhood immunizations to HIV/AIDS prevention to occupational safety and health research to infectious disease control and chronic disease prevention. In 2002, CDC will continue its efforts to improve State and local public health capacity to detect and respond to emerging infectious diseases. Fifty-three State health departments will have increased epidemiologic and laboratory capacity, which is an increase from 33 in 1999. CDC will also continue to work to improve its financial management, accounting and budgetary systems so that the total costs of CDC's activities will be presented more accurately and fairly.

Health Research: The National Institutes of Health (NIH) supports and conducts research to gain knowledge to help prevent, detect, diagnose, and treat disease and disability. NIH supports nearly 60,000 awards and contracts to universities, medical schools, and other research and research training facilities while conducting over 1,200 projects in its own laboratories and clinical facilities. In 2002, NIH-supported research will aim to add to the body of knowledge about biological functions, develop new and improved instruments and technologies for use in research and medicine, and develop new or improved approaches to diagnosing and treating diseases and disability. NIH performance goals include:

- Continuing the progress of genome sequencing by completing two-thirds of the human genome sequence with 99.99 percent accuracy by the end of 2002. This goal builds on a recent announcement of the completion of a draft sequence and initial analysis of the human genome. While this draft is extremely useful, the next stage will involve finishing the sequence completely with no gaps and with a 99.99 percent accuracy. Currently about one-third of the sequence is in finished form.

Additionally, progress toward development of a vaccine for HIV/AIDS by 2007 is encouraging. Diverse approaches to HIV vaccine design are being pursued, including refinements in the envelope protein strategy, using other HIV accessory proteins as immunogens, and improved DNA vaccine strategies.

By 2002, NIH funding will have grown by $9.5 billion, or 70 percent, since 1998. NIH is working to meet the management challenges that can arise when an agency receives a substantial infusion of resources over a short period of time. During the 2000 financial audit, for instance, the Inspec-

tor General noted that NIH's decentralized and non-standard accounting processes resulted in numerous errors that were not corrected until several months later, significantly delaying NIH preparation of reliable financial statements. NIH is in the process of identifying strategies and policies that would be implemented in 2002 and 2003 and beyond to maximize budgetary and management flexibility in the future. Such strategies would include funding the total costs of an increasing number of new grants in the grant's first year and supporting some one-time activities such as high-priority construction and renovation projects.

Besides NIH, eight other HHS agencies supported over $1.2 billion of public health, health services and policy research in 2001. In light of the initiative to double funding for NIH, there is an opportunity now to examine the HHS health research portfolio to streamline management of the research agenda, identify any overlap in funding for similar research, and set priorities. Over the coming year, HHS will examine these issues closely and develop recommendations for reforming the Department's health research activities. In particular, HHS will prioritize its research agenda to focus on activities where the Federal mission and interests are clear, and focus less on research that is more traditionally and appropriately supported by universities and other research institutions.

Agency for Healthcare Research and Quality (AHRQ): AHRQ will continue efforts to gather data on the effectiveness and delivery of treatments. In 2002, AHRQ will conduct, support, and disseminate research on the organization, quality, financing, and content of health services. A minimum of 60 projects will be funded that will reduce medical errors and enhance patient safety. Evidence-based Practice Centers will produce a minimum of 18 evidence reports and technology assessments that can serve as the basis for interventions to enhance health outcomes and quality by improving practice.

Office of the Secretary (OS): The OS will take the lead across HHS in ensuring that operations and investments are managed effectively and produce results. Funding for OS will grow by 14 percent in 2002, which will include major, new investments in information technology. The budget supports efforts to streamline HHS' decentralized approach to departmental management with the goal of enhancing coordination, eliminating costly duplication of efforts, and developing unified approaches and measurable outcomes for several of the key management challenges. For example, HHS will move toward a unified financial management system to streamline accounting operations throughout the Department and consolidate Department-level financial reporting. OS will also promote a Department-wide information technology (IT) system design, to find efficiencies in the Department's current internal IT spending base of $1.5 billion. Additionally, HHS will also review opportunities for managing and consolidating similar programs.

Public Health Regulation and Food Safety Inspection: The Food and Drug Administration (FDA) spends over $1.2 billion a year to promote public health by ensuring that foods are safe and wholesome and drugs, biological products, and medical devices are safe and effective. It leads Federal efforts to review new products and ensure that regulations enhance public health without unnecessary burden. The FDA also supports important research and consumer education.

To allow innovative new drugs, medical devices, and other products to be made available to the public more quickly, FDA has set the following performance goals for 2002:

- Review and act on 90 percent of standard original new drug application submissions within 10 months of receipt and 90 percent of priority original new drug application submissions within six months of receipt, while handling a new drug application workload that grows annually; and,
- Complete first action on 90 percent of new medical device applications (known as premarket applications) within 180 days, compared to 74 percent in 1999.

To allow for more thorough inspection of imported foods, FDA has set the following performance goal for 2002:

- Increase the number of import inspections of high-risk foods to 60,000 in 2002.

The Food Safety and Inspection Service (FSIS), in the U.S. Department of Agriculture (USDA), inspects the Nation's meat, poultry, and egg products at over 6,000 establishments nation-wide. In 1996, FSIS began implementing a scientifically-based inspection system (Hazard Analysis and Critical Control Point (HACCP)) that requires meat and poultry plants to implement food safety controls and conduct sanitation and microbiological testing. In addition to in-plant inspection, FSIS conducts foreign and State program reviews, risk assessments, and consumer education to reduce the prevalence of harmful pathogens on U.S. meat and poultry that contribute to foodborne illness. USDA has the following food safety goal:

- In 2002, make continued progress towards the five-year goal of reducing by 50 percent the prevalence of salmonella on certain raw meat and poultry products by 2005.

Workplace Safety and Health

In 2002 the Federal Government will spend over $670 million to promote safe and healthful conditions for over 100 million workers in six million workplaces, primarily through the Department of Labor's Occupational Safety and Health Administration (OSHA) and Mine Safety and Health Administration (MSHA). Through a combination of compliance assistance and targeted enforcement, these agencies protect workers from illness, injury, and death caused by occupational exposure to hazardous substances and conditions. Although occupational fatalities, injuries, and illness are at record-low levels, the Government must maintain its commitment to partner with employers and workers to reduce the over six thousand fatalities and 5.7 million injuries and illnesses that occur annually.

- In 2002, OSHA will: reduce injury and illness rates by 20 percent in at least 100,000 hazardous workplaces where OSHA initiates action; reduce injuries and illnesses by 15 percent at work sites engaged in voluntary, cooperative relationships with OSHA; and initiate an investigation of 95 percent of worker complaints within one working day or conduct an onsite inspection within five working days.
- In 2002, MSHA will reduce fatalities and lost-workday injuries to below the average number recorded for the previous five years.

Federal Employees Health Benefits Program (FEHBP)

Established in 1960 and administered by the Office of Personnel Management, the FEHBP is the largest employer-sponsored health insurance program in the Nation, providing over $20 billion in health care benefits a year to about nine million Federal employees, annuitants, and their families.

FEHBP offers a wide range of health insurance plans that enable employees to choose the benefits package that best suits their particular health care needs and budgets. Because choice and competition are hallmarks of the program, the FEHBP reports one of the highest levels of customer satisfaction of any health care program in the country. About 85 percent of eligible Federal employees participate in the FEHBP.

FEHBP is one part of the Government's total compensation package, and, like other health plans, has seen its costs outpace inflation over the last few years. The Administration will consider the following: options to ensure that the Program offers high quality and cost effective health plans; incentives to Federal employees and annuitants to choose their plans wisely; and coordination of annuitant health benefits with future reforms to Medicare.

Tax Expenditures: Federal tax laws help finance health insurance and care. Most notably, employer contributions for health insurance premiums are excluded from employees' taxable income, costing $92 billion in 2002 and $540 billion from 2002 to 2006. In addition, self-employed people may deduct a part (60 percent in 2001, rising to 100 percent in 2003 and beyond) of what they pay for health insurance for themselves and their families. Total health-related tax expenditures, including other provisions, will cost an estimated $109 billion in 2002, and $638 billion from 2002 to 2006.

To encourage private health insurance coverage, the budget includes a new refundable tax credit for individuals and families who are not covered by an employee plan nor eligible for public programs. The budget also includes new tax provisions to reform and permanently extend Medical Savings Accounts (MSAs). The budget proposes to help those with long-term care costs by providing a deduction for long-term care insurance premiums and an additional personal exemption to home caretakers of family members. In addition, the budget would improve flexible spending accounts by allowing up to $500 in unused benefits to be distributed as taxable income rolled over into an MSA, or rolled over into a 401(K) or similar plan.

13. MEDICARE

Table 13–1. Federal Resources in Support of Medicare
(In millions of dollars)

Function 570	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority	2,998	3,352	3,466	3,549	3,631	3,714	3,800
Mandatory Outlays:							
Existing law	194,115	216,002	226,448	238,575	252,231	270,784	279,426
Proposed legislation	....	....	....	....	....	8,300	12,800

Created by the Social Security Amendments of 1965, and expanded in 1972, Medicare is a nationwide health insurance program for the elderly and certain people with disabilities. The program will spend an estimated $226 billion in 2002 on mandatory benefits (net of beneficiary premiums) and administrative costs.

Medicare was designed to address a serious, national problem in health care—the elderly often could not afford to buy health insurance, which was more expensive for them than for other Americans because they had higher health care costs. Medicare was expanded in 1972 to address a similar problem of access to insurance for people with disabilities. Through Medicare, the Federal Government created one insurance pool for all of the elderly and eligible disabled individuals while subsidizing some of the costs, thus making insurance much more affordable for almost all elderly Americans and for certain people with disabilities. Medicare expanded access to quality care for the elderly and people with disabilities. With rapid changes in the health care industry, however, Medicare's approach to health care coverage has become increasingly dated. Medicare's benefits have significant gaps, including the lack of a prescription drug benefit. Medicare provides fewer coverage options for many beneficiaries than are enjoyed by employees of large private firms and the Federal Government. As a result, many beneficiaries do not have access to innovative disease management programs for their chronic illnesses, or to coverage options that would help them limit their out-of-pocket costs. In addition, Medicare has an enormous and growing long-term financing gap.

Medicare Benefits

In contrast to the integrated health insurance plans that provide coverage for most non-elderly Americans today, Medicare's structure continues to reflect the historical division of health insurance into a "hospital" component and a "physician" component that existed at the time the program was created. Medicare has two parts: (1) Hospital Insurance (Part A) and (2) Supplementary Medical Insurance (Part B).

Part A covers almost all Americans age 65 or older, and most persons who are disabled for 24 months or more and who are entitled to Social Security or Railroad Retirement benefits. People with end-stage renal disease (ESRD) also are eligible for Part A coverage. Part A reimburses providers for the inpatient hospital, skilled nursing facility, home health care related to a hospital stay, and hospice services provided to beneficiaries. Part A's Hospital Insurance (HI) Trust Fund receives most of its income from the HI payroll tax—2.9 percent of payroll, split evenly between employers and employees.

Part B coverage is optional, and it is available to almost all resident citizens age 65 or older and to people with disabilities who are entitled to Part A. About 94 percent of those enrolled in Part A have chosen to enroll in Part B. Enrollees pay monthly premiums that cover about 25 percent of Part B costs, while general taxpayer dollars subsidize the remaining costs. For most beneficiaries, the Government simply deducts the Part B premium from their monthly Social Security checks. Part B pays for medically necessary physician services; outpatient hospital services; diagnostic clinical laboratory tests; certain durable medical equipment (e.g., wheelchairs) and medical supplies; home health care; physical and occupational therapy; speech pathology services; and outpatient mental health services. Part B also covers kidney dialysis and other services for ESRD patients.

Public vs. Private Health Care Coverage

Beneficiaries can choose the coverage they prefer among a limited set of options. Under the traditional fee-for-service option, beneficiaries can go to most providers in the country. Medicare pays providers primarily based on prospective payment, an established fee schedule, or reasonable costs. About 84 percent of Medicare beneficiaries now opt for fee-for-service coverage.

Alternatively, beneficiaries can enroll in a Medicare+Choice plan. Generally, enrollees receive care from a network of providers. Most managed care plans receive a monthly, per-enrollee capitated payment that covers the cost of Part A and B services. The Administration will focus on expanding opportunities for beneficiaries to access a wider array of plans, including Preferred Provider Organizations and plans that offer a point of service benefit, allowing beneficiaries to receive certain services from non-network providers.

Spending and Enrollment

Federal spending on Medicare benefits will rise by an estimated average annual rate of 5.4 percent from 2002 to 2006, from $226 billion to $279 billion. Part A benefit outlays will grow by an estimated 23 percent over the period—from $140 billion to $172 billion, or an average of 5.3 percent a year. Part B outlays will grow by an estimated 23 percent—from $85 billion to $106 billion, or an average of 5.7 percent a year. These figures cover net Federal spending on Medicare benefits, and do not include spending financed by beneficiaries' premium payments.

Medicare enrollment will grow slowly until 2011, then rapidly increase as the baby boom generation begins to reach age 65 in 2011. From 1995 to 2011, enrollment will grow at an estimated average annual rate of 1.5 percent, from 37.4 million enrollees in 1995 to 46.9 million in 2011. After 2011, average annual growth will grow at a faster rate, with enrollment reaching more than 69 million in 2025.

The Two Trust Funds and Solvency

Hospital Insurance (HI) Trust Fund: As noted earlier in this chapter, the HI Trust Fund is financed by a 2.9 percent payroll tax, split evenly between employers and employees. Since current benefits are paid by current workers, Medicare costs associated with the retirement of the baby boomers starting in 2010, will be borne by the relatively small number of people born after the baby boom. As a result, only 2.3 workers will be available to support each beneficiary in 2030—compared to today's four workers per beneficiary. The Medicare Trustees recently reported that the HI Trust Fund depletion date improved slightly from last year's report (from 2025 to 2029) but HI spending will begin to exceed tax receipts by 2016. In addition, the Medicare Trustees reported that the HI Trust Fund is in worse long-term financial shape than the Social Security Trust Fund. The President plans to work with Congress to develop a long-term solution to this financing challenge.

Supplementary Medical Insurance (SMI) Trust Fund: The SMI Trust Fund receives about 75 percent of its income from general Federal revenues and about 25 percent from beneficiary premiums. Unlike HI, the SMI Trust Fund is really a trust fund in name only; the law lets the SMI Trust Fund tap directly into general revenues to ensure its annual solvency.

Comprehensive Measure of Medicare Solvency: Currently, there is no comprehensive measure of Medicare's solvency that takes into account SMI finances, as well as HI. This seriously underestimates the magnitude of the Medicare financial problem. The Medicare Trustees acknowledged this disconnect in their 2001 Trustees report. They stated that: "Although this report focuses on the financial status of the HI Trust Fund, it is important to recognize the financial challenges facing the Medicare program as a whole and the need for integrated solutions."

As the Trustees report begins to show, on a combined basis Medicare spending will grow from 2.2 percent of GDP in 2000 to 4.5 percent in 2030 and 8.5 percent in 2075. Sources of dedicated Medicare financing will rise at a slower rate, from 1.8 percent of GDP in 2000, to 2.2 percent in 2030, and 2.5 percent in 2075. The gap in Medicare financing will therefore grow from 0.4 percent of GDP in 2000 to six percent of GDP in 2075. The Administration will work to establish a comprehensive measurement of solvency in order to assess the overall financial outlook of the Medicare program.

Previous Medicare Reform Legislation

The Balanced Budget Act (BBA) of 1997 improved Medicare's financial outlook temporarily, while the Balanced Budget Refinement Act (BBRA) of 1999 corrected some of the unintended consequences of the BBA. The Beneficiary Improvement and Protection Act (BIPA) of 2000 added preventive benefits health care benefits, reduced beneficiary cost sharing, while also reducing some provider payments. Despite this legislative activity, the Medicare program requires additional reform to address its poor financial condition, and the inadequate benefits package, among other problems. The Administration will work with Congress to further modernize Medicare and integrate prescription drug coverage, while also strengthening the Medicare+Choice program.

Budget Implementation

Medicare Reform: Many improvements in Medicare's outdated structure are needed to increase the quality of care for seniors and the disabled, to streamline the burdensome and inflexible bureaucratic controls, and to improve the program's financing. The budget devotes $153 billion over 10 years for Medicare modernization, including providing for a prescription drug benefit for all Medicare beneficiaries (see Table 13–2).

The President plans to reform Medicare based on the following principles:

- Medicare should be modernized, to provide better coverage options, streamlined regulations, and higher quality of care.
- Medicare should assure that all seniors have affordable access to prescription drug coverage, as part of a modernized Medicare program.
- Medicare should provide better options for protection against high out-of-pocket expenses, particularly for low-income seniors.
- Medicare should have greater overall financial security, including an accurate measure of the financial status of the program as a whole, without raising payroll tax rates.

Table 13–2. Immediate Helping Hand and Medicare Modernization
(Outlays in billions of dollars)

	Estimate											Total	
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002–2006	2002–2011
Immediate Helping Hand and Medicare Modernization	3	11	13	15	13	13	13	16	17	20	24	64	153

Reforming the Health Care Financing Administration (HCFA): HCFA faces the formidable challenge of modernizing its administrative infrastructure, meeting pressing statutory deadlines for program changes from the BBA, the BBRA, the BIPA, and the Health Insurance Portability and Accountability Act, and perhaps most importantly, the need to be highly responsive to its customers. HCFA management reform is an Administration priority. HCFA will undertake a major effort to modernize and streamline its operations to more effectively manage current programs and implement new legislation. The Administration will also examine more fundamental change in HCFA's mission and structure as part of this effort.

In addition, HCFA will also work to protect the integrity of Medicare's payment systems without imposing burdensome new requirements on providers. Previous legislation authorizes mandatory Federal funds and greater authority to prevent inappropriate payments to fraudulent providers, and to seek out and prosecute providers who continue to defraud Medicare and other health care programs. In 2000, the error rate was 6.8 percent, or $11.9 billion. The 2002 goal is to reduce the error rate to five percent.

Performance Plan: HCFA has developed a set of performance goals to measure its progress in ensuring that Medicare beneficiaries receive the highest quality health care.

HCFA's 2002 goals include:

- increasing the percentage of female Medicare beneficiaries who receive a mammogram once every two years from 45 percent in 1998 to 52 percent in 2002;
- decreasing the one-year mortality rate among Medicare beneficiaries hospitalized for heart attacks from 31.2 percent in 1995 to 27.4 percent in 2002;
- reducing the prevalence of pressure ulcers (bed sores) in nursing homes from 9.8 percent in 2000 to 9.5 percent in 2002. Absence of pressure ulcers are a good indicator of quality of care provided by nursing home; and
- increasing the percentage of Medicare beneficiaries age 65 and over receiving vaccinations for influenza from 59 percent in 1994 to 73 percent in 2002, and those receiving a lifetime pneumococcal vaccination from 25 percent in 1994 to 65 percent in 2002.

14. INCOME SECURITY

Table 14–1. Federal Resources in Support of Income Security
(In millions of dollars)

Function 600	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	31,553	39,483	42,805	45,057	46,683	48,313	49,571
Mandatory Outlays:							
Existing law	206,481	217,157	228,526	237,028	246,267	258,199	265,456
Proposed legislation	....	....	273	895	1,047	1,166	1,280
Credit Activity:							
Direct loan disbursements	17	20	12	....	....	....	....
Guaranteed loans	19	33	59	74	73	73	73
Tax Expenditures:							
Existing law	147,604	153,372	159,053	165,675	172,346	179,058	187,685

The Federal Government provides over $271 billion a year in cash or in-kind benefits to individuals through income security programs, including those generally defined as part of the "social safety net." Since the 1930s, these safety net programs, plus Social Security, Medicare, Medicaid, and housing assistance (each discussed in other chapters), have grown enough in size and coverage so that even in difficult economic times, most Americans can count on some form of minimum support to prevent destitution.

The income security programs also include retirement and disability insurance (excluding Social Security, which is described in Chapter 15), Federal activity related to private pensions, and Federal employee retirement and disability programs.

Major Public Benefit Programs

The largest means-tested income security programs are Food Stamps, Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), and the Earned Income Tax Credit (EITC). The various kinds of low-income housing assistance are discussed in Chapter 8, "Commerce and Housing Credit." These programs, along with unemployment compensation (which is not means-tested), are the primary "safety net" assistance programs in the Income Security function.

The major income security programs are managed by four agencies that broadly interact with the American people and businesses. These agencies are the Food and Nutrition Service (FNS), the Administration on Children and Families (ACF), the Social Security Administration (SSA), and the Internal Revenue Service (IRS).

Nutrition Assistance: Federal nutrition assistance programs are managed by the Department of Agriculture's FNS. The largest of these programs is the Food Stamp Program. In addition, FNS administers the Special Supplemental Nutrition Program for Women, Infants, and Children, and the National School Lunch and School Breakfast Programs.

Food Stamps: In an average month in 2000, 17.2 million people, or 7.3 million households, received benefits—and in that year, the program provided total benefits of $15.0 billion. Food Stamp enrollment has steadily declined since peaking at 28 million people in 1994, due in part to the strength of the economy and declining welfare caseloads associated with welfare reform. However, studies also show that enrollment has dropped

among eligible individuals, including working families. Total Federal program spending was $18.3 billion in 2000.

- In 2002, the program will provide an average projected benefit of $78 to 18.4 million persons each month.
- In 2002, FNS plans to expand the number of States using Electronic Benefits Transfer to issue 89 percent of Food Stamp benefits, compared to 75 percent in 2000, improving the delivery of benefits, and increasing the ability to track benefits redemption as a fraud prevention tool.
- In 2000, FNS estimates that benefit overpayments will represent 6.78 percent of all benefits issued. FNS will work with States to reduce this rate to 6.58 percent of all payments in 2002. A challenge for States is reducing error among the higher number of working families whose fluctuating income increases the likelihood of errors in the level of benefits.

Special Supplemental Nutrition Program for Women, Infants, and Children (WIC): WIC provides vouchers for nutritious supplemental food packages, nutrition education and counseling, and health and immunization referrals to low-income women, infants, and children. The program reached an average of nearly 7.2 million people each month in 2000. Participation in 2001 is projected to exceed 7.2 million women, infants, and children monthly, and the budget proposes $4.1 billion, an increase of $94 million, to serve 7.25 million people monthly in 2002.

- Only 34 percent of women participating in WIC were breastfeeding in 1996. In 2002, together with State public health agencies, FNS will strive to increase the incidence of breast-feeding among WIC mothers to 46 percent.

Child Nutrition Programs: The National School Lunch and School Breakfast Programs provide free or low-cost nutritious meals to children in participating schools.

- In 2002, the programs will serve an estimated 28.0 million children on a daily basis. In school year 1998–1999, the average percent of calories from saturated fat in school lunches was 12 percent, above the recommended level of 10 percent, and only one in seven schools met the 10 percent level. By 2005, FNS aims to reduce the average percent of calories from saturated fat to 10 percent.

Income Assistance to Aged, Blind, and Individuals with Disabilities: The SSI program, administered by SSA, provides benefits to needy aged, blind, and disabled adults and children. In 2000, 6.3 million individuals received $30.8 billion in Federal SSI benefit payments. In 2002, an estimated 6.4 million individuals will receive a total of $31.5 billion in Federal SSI benefits. Federal eligibility rules and payment standards are uniform across the Nation. In 2000, average monthly benefit payments ranged from $254 for aged adults to $445 for blind and disabled children. Most States supplement the SSI benefit.

The SSI program has been vulnerable to payment inaccuracy and abuse. For example, studies by SSA indicate that overpayments, as a percent of total SSI outlays, were 5.5 percent in 2000. A major aspect of the President's vision for Government reform is to reduce erroneous payments.

- SSA expects to increase payment accuracy so that 94.7 percent of SSA outlays will be free of overpayments (based on non-medical factors of eligibility), an improvement from 94.5 percent in 2000.

Income Assistance to Families: Major income assistance for low-income families is provided through the TANF program, administered by the Department of Health and Human Services' ACF and the EITC, administered by the IRS. In addition, ACF administers the Child Support Enforcement Program and the Child Care and Development Fund. Other income security programs run by ACF include refugee assistance and low-income home energy assistance.

Temporary Assistance for Needy Families (TANF): The 1996 welfare reform law established TANF as the successor to the 60-year-old Aid to Families with Dependent Children program. TANF, for which the Federal Government allocates about $16.7 billion each year, is designed to meet the goal of dramatically changing the Nation's welfare system into one that requires and

rewards work in exchange for time-limited assistance. The TANF program gives States broad flexibility to set eligibility criteria and to determine the types of assistance they provide. With fewer families receiving cash assistance, States can use the flexibility in TANF to help low-income working families retain and advance in their jobs. The budget proposes legislation to allow States to use Federal TANF funds to partially offset revenue losses from State tax credits for contributions to State-designated charities.

- States reported that more than 1.2 million parents on welfare went to work in the period between October 1, 1998, and September 30, 1999. Overall 43 percent of welfare recipients entered the work force in 1999 in comparison to 39 percent in 1998. In 1999, States reported an average earnings increase of 22 percent for former welfare recipients over a period of two quarters.
- Although in 1999 all States met overall work participation requirements, eight of 36 States that have two-parent family programs failed to meet the required two-parent work participation rate. ACF will work with States to meet two-parent work participation requirements in 2002.

Individual Development Accounts (IDAs): The budget includes $25 million in grants for IDAs, to empower low-income individuals to save for a first home, postsecondary education, or to start a new business. The budget also includes a proposal to provide a tax credit to financial institutions that match private IDAs.

Child Support Enforcement: The Child Support Enforcement Program establishes and enforces the support obligations owed by noncustodial parents to their children. In 1999, the program established approximately 1.6 million paternities among children born to unwed mothers, and collected an estimated $17.9 billion in child support in 2000. In 2000, the Federal Government provided $3.2 billion to State and local governments to help them run the program. The Federal Government retained $1.3 billion in TANF-related collections from the States, making the net cost of this program to the Federal Government $1.9 billion. In 2002, estimated Federal costs net of TANF collections will be $2.5 billion.

- In 2002, ACF plans to increase the child support collection rate to 55 percent, compared to 52 percent in 1999.

Strong child support enforcement is critical to getting fathers who have the ability to pay to support their children. However, research shows that a large portion of fathers who do not pay child support are themselves poor. And while fathers must fulfill their financial commitments, they must also fulfill their emotional commitments. The budget includes a responsible fatherhood initiative to reverse the rise in father absence, improve the job skills of low-income fathers, promote marriage among parents, and help low-income fathers establish positive relationships with their children and their children's mothers. (See Chapter 11, "Education, Training, Employment, and Social Services.")

Child Care: The Child Care and Development Fund provides grants to States for the purposes of providing low-income families with financial assistance for child care, improving the quality and availability of child care, and establishing, expanding, or conducting early childhood development programs and before- and after-school programs.

The budget creates a new $400 million After-School Certificate program within the Child Care and Development Block Grant, raising total funding to $2.2 billion. The new program would provide grants to States to assist up to 500,000 parents in obtaining after-school childcare with a high-quality education focus.

ACF has worked with States to develop a new set of performance measures and ACF will continue to collect baseline data for the program's goals of increasing access to affordable care and improving the quality of care to promote children's development. For example, in order to support access to affordable care, ACF aims to maintain the average percentage of family income spent on child care co-payments by families receiving Federal subsidies. In order to improve the quality of care, ACF will increase the number of facilities that are accredited by a nationally

recognized early childhood development professional organization.

- In 2002, the Child Care and Development Fund, including the new After-School Certificate program, will provide child care assistance to an estimated 2.6 million low-income children, including up to 500,000 children receiving after-school certificates through the proposed initiative.
- The Administration proposes to increase the child credit from $500 to $1,000 for each qualifying child under the age of 17, and to phase out the credit more slowly and at a higher levels of income.

Tax Expenditures

Tax expenditures related to income security total $159 billion in 2002 and $864 billion from 2002 through 2006. Most of these tax expenditures are for retirement saving. The portion of the EITC that offsets tax liabilities is counted as a tax expenditure; the portion that is refundable is counted as an outlay. Tax expenditures related to retirement savings are discussed at the end of this chapter.

Earned Income Tax Credit (EITC): EITC, a refundable tax credit for low-income workers, has two broad goals: (1) to encourage families to move from welfare to work by making work pay; and (2) to reward work so parents who work full time do not have to raise their children in poverty. In 2001, EITC provided $30.8 billion in credits for low-income tax filers, including spending on both tax refunds and reduced tax receipts. For every dollar that low-income workers earn—up to up to certain limits—they receive between seven and 40 cents as a tax credit. In 2001, EITC provided an average credit of nearly $1,680 to 19 million workers and their families. In 2002, an estimated 19 million families will receive an average credit of $1,729.

The EITC program faces high error rates. According to a September 2000 IRS study of 1997 returns, an estimated $7.8 billion (25.6 percent) of the $30.3 billion in EITC claims made by taxpayers were erroneously paid. The budget includes $146 million in 2002 for IRS to devote to reducing EITC error rates. The majority of ongoing compliance initiatives are aimed at improving the detection and prevention of erroneous EITC claims before tax refunds are paid.

Unemployment Compensation

Unemployment Compensation, overseen by the Department of Labor's (DOL's) Employment and Training Administration, provides benefits to individuals who are temporarily out of work through no fault of their own and whose employer has previously paid payroll taxes to the program. The State payroll taxes finance the basic benefits out of a dedicated trust fund. States set benefit levels and eligibility criteria; benefits are not means-tested and are taxable. Regular benefits are typically available for up to 26 weeks of unemployment. In 2000, about 6.9 million persons claimed unemployment benefits that averaged $212 weekly. In 2002, an estimated 8.5 million persons will receive an average benefit of $232 a week. The Administration plans to examine the unemployment compensation program carefully in the coming months.

- In 2002, DOL's goal for accurate eligibility determinations is that at least 30 States meet the established criterion for high quality nonmonetary determinations of eligibility (e.g., determinations that take into account the reasons for the separation from the job). In 2000, only 23 States met the standard for determination quality.

Employee Retirement Benefits

Railroad Retirement Benefits: The Railroad Retirement Board administers retirement, survivor, unemployment, and sickness insurance benefits for qualified railroad workers and their families. In 2000, about $8.3 billion in retirement-survivor benefits were paid to some 724,000 individuals, while about $101 million in unemployment and sickness benefits, net of current-year recoveries, were paid to some 35,200 individuals.

The railroad retirement system includes a benefit equivalent to Social Security benefits, rail industry pension benefits, and federally subsidized windfall benefits. The benefits are financed through railroad employer contributions, railroad employee payroll deductions, payments from the Social Security trust funds, and taxpayer subsidies. Unlike other private

industry pension plans, the rail industry pension program is the only private industry pension subsidized by Federal taxpayers and administered by a Federal agency. In addition, the program confronts an unfunded liability of $39.7 billion, as measured by the Employee Retirement Income Security Act standards. Any examination of the program should set as first priorities ending taxpayer subsidies to the program and ensuring the industry funds its workers' pensions.

Federal Employee Retirement Benefits: The Civil Service Retirement System (CSRS) and the Federal Employees' Retirement System (FERS) provide pension coverage for approximately 2.7 million active employees. Both systems provide a defined benefit pension. FERS employees (those hired since January 1, 1984) are also covered by Social Security and a defined contribution plan—the Thrift Savings Plan (TSP). CSRS employees may contribute to TSP but do not receive the automatic and matching agency contributions provided to FERS employees.

In 2000, the retirement program paid $45 billion in benefits to 2.4 million annuitants (retirees and survivors). Retirement claims processing accuracy and timeliness have deteriorated over the past two years, and improving performance in these areas is a high priority in 2001 and 2002.

- In 2002, the processing time for a FERS annuity claim will be reduced to 90 days, substantially lower than the estimated 185 days in 2000.

In conjunction with the effort to improve claims processing, and to produce future efficiencies and enhanced services, the budget provides a substantial increase in funding for retirement systems modernization, a multiyear information technology investment program aimed at automating much of the retirement processing function. The budget also proposes to extend the higher agency contributions to the retirement fund mandated by the Balanced Budget Act of 1997 and set to expire in 2003. The higher employee contributions required by that Act were repealed in 2001 and are unaffected by this proposal.

Private Pensions: The DOL Pension and Welfare Benefits Administration (PWBA) works to protect the roughly $4.9 trillion in pension assets. More than 95 million participants and beneficiaries are now in private pension plans. DOL's Pension Benefit Guaranty Corporation (PBGC) insures against company bankruptcy the pensions of about 43 million workers and retirees who earn defined benefit pensions.

- PWBA issues exemptions allowing certain financial transactions that pension plans need to make but would otherwise be prohibited. In 2000, processing the requests for these exemptions took an average of 294 days, which is too long, even though the figure includes many older requests. PWBA now is undertaking to process the exemptions more speedily, including working off the inventory of complex, older cases. An additional PWBA goal is to recover more lost benefits through customer assistance—increasing the dollar level of recoveries by two percent per year. PWBA expects to recover $67 million in benefits for 2002, compared to $66 million estimated for 2001.
- PBGC is working to reduce the time taken to calculate individuals' benefit levels. This process is technically difficult but often takes too long. The time taken for final benefit calculation is expected to drop to three years in 2002, down from an average of four to five years in 2000. PBGC also is working to send first benefit checks more speedily. In 1999, only 83 percent of pensioners got their first benefit checks within three months of completing their applications but PBGC's goal for 2002 is 95 percent.

Tax Treatment of Retirement Savings: The Federal Government encourages retirement savings by providing income tax benefits to both individuals and companies. Generally, earnings devoted to workplace pension plans and to many traditional individual retirement accounts (IRAs) receive beneficial tax treatment in the year earned and ordinarily are taxed only in retirement, when lower tax rates usually prevail. Moreover, taxpayers can defer taxes on the interest and other gains that add value to these retirement accounts. For the

newer Roth IRA accounts, contributions are made from after-tax earnings, with no tax deduction. However, account earnings are free from tax when the account is used in retirement. All the pension and retirement-saving tax incentives amount to an estimated $120 billion in 2002—one of the largest set of preferences in the income tax system.

15. SOCIAL SECURITY

Table 15–1. Federal Resources in Support of Social Security
(In millions of dollars)

Function 650	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	3,210	3,447	3,520	3,597	3,680	3,759	3,845
Mandatory Outlays:							
Existing law	406,048	430,000	451,575	473,544	497,967	524,312	552,950
Tax Expenditures:							
Existing law	24,800	25,980	27,300	28,450	29,690	31,270	33,000

The Old-Age, Survivors, and Disability Insurance (OASDI) programs, commonly known as Social Security, are crucial to the economic well-being of tens of millions of Americans. Social Security will spend an estimated $455 billion in 2002 to provide more than 46 million beneficiaries with comprehensive protection against loss of income due to the retirement, disability, or death of a wage earner.

Social Security provides monthly benefits to retired and disabled workers who gain insured status and to their eligible spouses, children, and survivors. The Social Security Act of 1935 provided retirement benefits, and the 1939 amendments provided benefits for survivors and dependents. These benefits now comprise the Old Age and Survivors Insurance (OASI) program. Congress provided benefits for disabled workers by enacting the Disability Insurance (DI) program in 1956 and added benefits for the dependents of disabled workers in 1958. About 30 percent of Social Security beneficiaries are disabled workers and their families, or survivors of deceased workers. (See Table 15–2.)

DI provides income security for workers and their families when workers lose their capacity to work due to disability. Before DI, workers often had no such protection, although in some cases employees whose injuries were job-related may have received State worker's compensation benefits. Congress enacted DI to protect the resources, self-reliance, and self-respect of those suffering from non-work-related disabilities. DI protection can be extremely valuable, especially for young families who are unable to sufficiently protect themselves against the risk of the worker's disability.

The Government expects to collect $539 billion in Social Security taxes in 2002. These taxes will be credited to the OASI and DI trust funds, along with $76 billion of interest on Treasury securities held by the trust funds.

In 2000, Social Security paid out a total of $402 billion to 45 million beneficiaries. These payments included $289 billion in benefits to 31 million retired workers and dependent family members, and about $59 billion in benefits to seven million survivors of deceased workers. Through the DI program, Social Security paid $54 billion in benefits to more than six million disabled workers and their families.

The Long-Range Challenge

Social Security is designed to be self-financed; its most important revenue source is the payroll tax. Pressure on the financing system is growing due to two demographic factors: members of the baby boom and subsequent generations are having fewer

Table 15–2. Social Security Beneficiaries
(Thousands of OASDI beneficiaries)

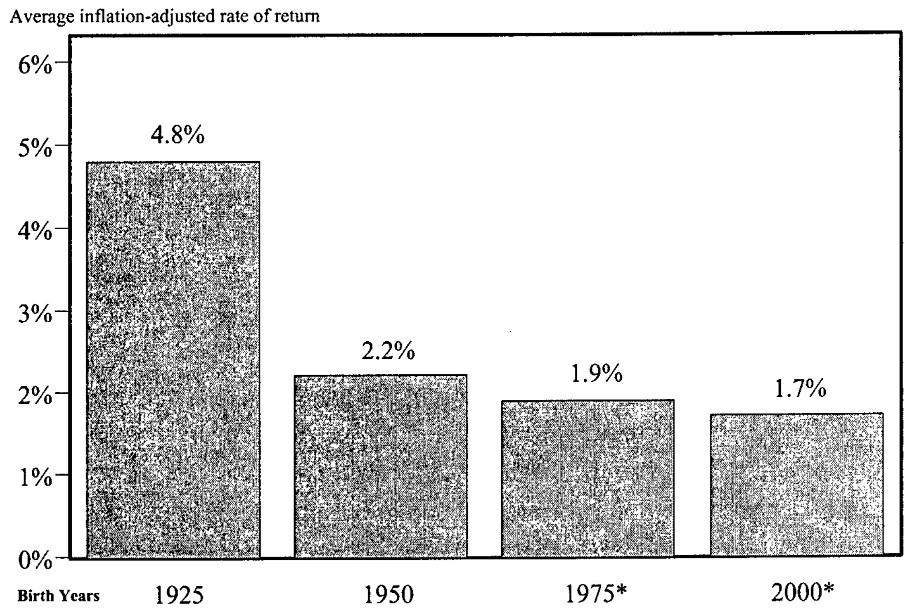
	2002 Estimate
Retired workers and families:	
Retired workers	28,976
Wives and husbands	2,779
Children	453
Survivors of deceased workers:	
Aged widows and widowers, and dependent parents	4,696
Children	1,891
Widowed mothers and fathers with child beneficiaries in their care	194
Disabled widows and widowers	210
Disabled workers and families:	
Disabled workers	5,303
Wives and husbands	162
Children	1,505
Total	**46,169**

children and are predicted to have longer life spans than previous generations. The consequence of these trends is that the ratio of workers paying into the system for each beneficiary will decline from 5.1 in 1960 to 3.4 today to 2.1 in 2030. These demographic trends will strain the Government's ability to make benefit payments at current payroll tax rates. Based on the 2001 Trustee's Report, the Social Security trust funds are expected to run a cash surplus until 2016. However, cash revenues will fall short of expenditures after that time, and the trust funds will exhaust their assets in 2038 unless corrective action is taken. After 2038, payroll taxes are projected to cover 73 percent of expenditures. Social Security is largely "pay-as-you-go," meaning current retirement benefits are financed by current payroll contributions. Another source of pressure on the trust funds is the rapid growth of the DI program, which is expected to accelerate as baby boomers reach the age at which they are increasingly prone to disabilities. As a result of these trends, Social Security's spending path is unsustainable in the long run.

The Social Security system faces a long-term unfunded liability of $8.7 trillion. In addition, the pay-as-you-go structure of Social Security leads to substantial generational inequities in average rate of return. Future retirees on average can expect to get back from Social Security barely more than they put in. The first generations of workers covered by Social Security experienced low payroll tax rates because there were relatively few retirees to support in the early years of the program. The earliest cohorts also paid taxes for only a portion of their working lives. Consequently, these early generations enjoyed a high rate of return from the program because the benefits they received exceeded their payroll tax contributions by a comfortable margin. As the system matured, payroll taxes rose to support an expanding beneficiary population, and rates of return declined. (See Chart 15–1.)

Restoring Social Security to financial balance solely through benefit cuts or tax increases would only worsen the returns that workers would get from the system. One way to address the long-term financial crisis is to allow individuals to keep some of their payroll taxes in personal retirement accounts that can earn higher rates of return through investment in private equities markets. The President is committed to modernizing and reforming Social Security, so that the system will be better able to meet the needs of tomorrow's retirees. The President will form a commission that will examine Social Security and present recommendations for reform next fall.

Chart 15-1. Social Security Rates of Return Falling with Each Generation



*Assumes current-law benefits. The Social Security trust fund will not be able to meet current-law benefit obligations after 2038. Accordingly, rates of return are overstated.

Principles for Reform

The President believes that Social Security reform should be based on the following principles:

- Modernization must not change existing benefits for current retirees or near-retirees, and it must preserve the disability and survivors' components. The promises made to current retirees must be kept.
- The Social Security surplus must be preserved only for Social Security. For 30 years, Social Security surpluses have been used to mask spending increases in programs unrelated to Social Security. Surpluses in the Social Security trust funds will total $2.6 trillion over the next 10 years. These surpluses will be saved for Social Security reform and will be used to reduce debt held by the public until Social Security reform is enacted.
- Social Security payroll taxes must not be increased, as they have been 20 times since the program began in 1937.
- The Government itself must not invest Social Security funds in the private economy.
- Successful Social Security reform, which addresses both the long-term unfunded liability and the generational inequities, must be built upon a core of individually controlled, voluntary personal retirement accounts that will augment the Social Security safety net.

Social Security Administration (SSA)

To operate a program that affects tens of millions of beneficiaries and involves a significant share of all Federal outlays requires an efficient and responsive administrative structure. SSA administers the OASI and DI programs. SSA also runs the Supplemental Security Income (SSI) program for low-income aged and disabled individuals, which is part of the Income Security function

(see Chapter 14). In addition, the agency provides services that support the Medicare program on behalf of the Health Care Financing Administration, which is part of the Medicare function (see Chapter 13).

SSA undertakes a variety of activities in administering its programs. SSA is responsible for paying benefits to more than 50 million people every month, processing more than six million claims for benefits each year, handling approximately 59 million phone calls to its 800-number, and issuing 138 million Social Security statements. Other activities include issuing Social Security numbers, maintaining earnings records for wage earners and self-employed individuals, updating beneficiary eligibility information, educating the public about the programs, combating fraud, and conducting research, policy analysis and program evaluation. These activities are largely integrated across the various programs administered by SSA.

SSA faces enormous management challenges as a result of the aging of the baby boom generation. SSA's work force is aging and is likely to experience a wave of retirements in the next 10 years. During the same time frame, the agency's workloads will increase dramatically as members of the baby boom generation reach their peak years of disability risk and then begin to retire. Responding to these challenges will require that SSA rethink how it does business and develop innovative ways to manage its growing workloads.

The Administration proposes $7.7 billion for SSA, an increase of $0.5 billion, or 6.3 percent, above the 2001 enacted level of $7.2 billion. This amount includes sufficient resources to ensure stable staffing in 2002 and will allow SSA to maintain performance in key service delivery areas such as retirement claims processing. It will allow SSA to process about 100,000 more initial disability claims in 2002 than in 2001. This funding also will help SSA continue its multi-year continuing disability review (CDR) plan, eliminating the CDR backlog in 2002, as well as increase the number of SSI non-disability eligibility redeterminations conducted. In addition, this amount includes resources for SSA to continue to modernize its computer infrastructure and offer more services in an online environment.

SSA's Performance Plan for 2002 includes a number of performance indicators that reflect the President's commitment to modernizing the agency's operations. The budget includes resources to help the agency meet the goals of responsive programs, excellent customer service, strong program integrity, and strengthened public understanding of Social Security. Like the agency's administrative activities, these goals cut across programs. SSA's broad goals and related performance measures for 2002 are described below.

Ensure integrity of Social Security programs: The budget supports activities undertaken by SSA to ensure the integrity of records and payments. These activities include reviewing claimants' eligibility for continued benefits, collecting debt, detecting overpayments, and investigating and deterring fraud.

- In 2002, SSA expects to eliminate the backlog of more than four million CDRs that built up prior to 1996. CDRs help increase public confidence in the integrity of SSA's disability programs by ensuring that only people who continue to be disabled receive benefits.
- In 2002, SSA plans to perform 2.3 million non-disability redeterminations, an increase of 205,000 redeterminations over the 2001 level and 78,000 over the 2000 level.

Promote responsive programs: SSA's programs must reflect the interests of beneficiaries and society as a whole. Programs must evolve to reflect changes in the economy, demographics, technology, medicine, and other areas. Many DI and SSI beneficiaries with disabilities, for example, want to be independent and work. Many of them can work, despite their impairments, if they receive the support they need. Yet less than one percent of disabled beneficiaries in any given year actually leave SSA's programs due to employment. Americans with disabilities should have every freedom to meet their full potential and participate as full members in the economic marketplace.

As part of the New Freedom Initiative, the President will work for swift implementation of the Ticket to Work and Work Incentives Improvement Act. Enacted in 1999, the Act aims to help disabled beneficiaries enter or re-enter the work force. This law expands beneficiaries' choice of employment service providers, allows persons with disabilities to keep or obtain Federal health benefits when they enter, re-enter, or remain in the work force, and authorizes SSA to carry out demonstration projects to identify effective ways to help DI beneficiaries return to work. SSA began implementation of the new law in 2000, and the budget includes funding to continue and build on these activities in 2002.

Deliver customer-responsive service: Roughly three-quarters of SSA's total administrative budget is devoted to the day-to-day work generated by requests for service from the general public. Much of this work takes the form of determining eligibility for benefits. The time required to process benefit claims is affected by the design of the eligibility determination procedures, as well as by the level of resources dedicated to claims-processing activities and the number of claims received. The President's Budget supports efforts to streamline these procedures.

- In 2002, the average processing time for hearings (i.e., the elapsed time from the receipt of "request for hearing" to "notice of decision") at SSA's Office of Hearings and Appeals will be 259 days, an improvement from 297 days in 2000.

The Internet is a crucial tool in the Administration's plan for a Government that is more efficient and responsive to citizens. SSA will undertake activities to fully realize the power of the Internet to improve customer service delivery.

- By the end of 2002, SSA plans to offer 30 percent of the agency's customer-initiated services electronically, either via the Internet or through automated telephone service. In 2000, only 10 percent of these services were available electronically.

Strengthen public understanding of Social Security programs: The budget supports the development, production, and distribution of products to educate the public about Social Security benefits and Social Security's larger impact on society. SSA conducts an annual survey to measure public understanding of Social Security programs and issues and undertakes a variety of activities to increase public awareness.

- In 2002, SSA projects that 75 percent of the public will be knowledgeable about Social Security programs, an increase from the 2000 goal of 65 percent.

Tax Expenditures

Social Security recipients pay taxes on their Social Security benefits when their overall income, including Social Security, exceeds certain income thresholds. Social Security beneficiaries will pay $13.5 billion in income taxes on their benefits in 2002 and $79.3 billion over the period 2002 to 2006. If all Social Security benefits were subject to income taxes, taxes would increase by an estimated $27 billion in 2002 and $150 billion from 2002 through 2006.

16. VETERANS BENEFITS AND SERVICES

Table 16–1. Federal Resources in Support of Veterans Benefits and Services
(In millions of dollars)

Function 700	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority	20,904	22,463	23,469	23,996	24,533	25,085	25,651
Mandatory Outlays:							
Existing law	26,330	23,004	28,142	29,725	31,319	35,407	34,054
Proposed legislation	....	....	19	–24	–55	–87	–117
Credit Activity:							
Direct loan disbursements	1,451	1,712	1,724	1,923	1,962	2,008	2,045
Guaranteed loans	20,159	29,548	28,969	29,577	30,198	30,838	31,458
Tax Expenditures:							
Existing law	3,280	3,490	3,670	3,860	4,050	4,260	4,470

The Federal Government provides benefits and services to veterans and their survivors of conflicts as long ago as the Spanish-American War recognizing the sacrifices of wartime and peacetime veterans during military service. The Federal Government spends over $51 billion a year on veterans benefits and services, including medical care to low-income and disabled veterans and education and training for veterans reentering civilian life. In addition, veterans benefits provide financial assistance to needy veterans of wartime service and their survivors, and over $3 billion in tax benefits to compensate veterans and their survivors for service-related disabilities.

The Department of Veterans Affairs' (VA's) mission is "to care for him who shall have borne the battle and for his widow and his orphan." The spirit of these words, spoken by President Lincoln over 100 years ago, is ingrained in the Department's statutory mandate "to administer the laws providing benefits and other services to veterans and the dependents and the beneficiaries of veterans." The mandate sets forth VA's role as the principal advocate for veterans and charges it with ensuring that veterans receive the medical care, benefits, social support, and lasting memorials they deserve in recognition of their service to this Nation.

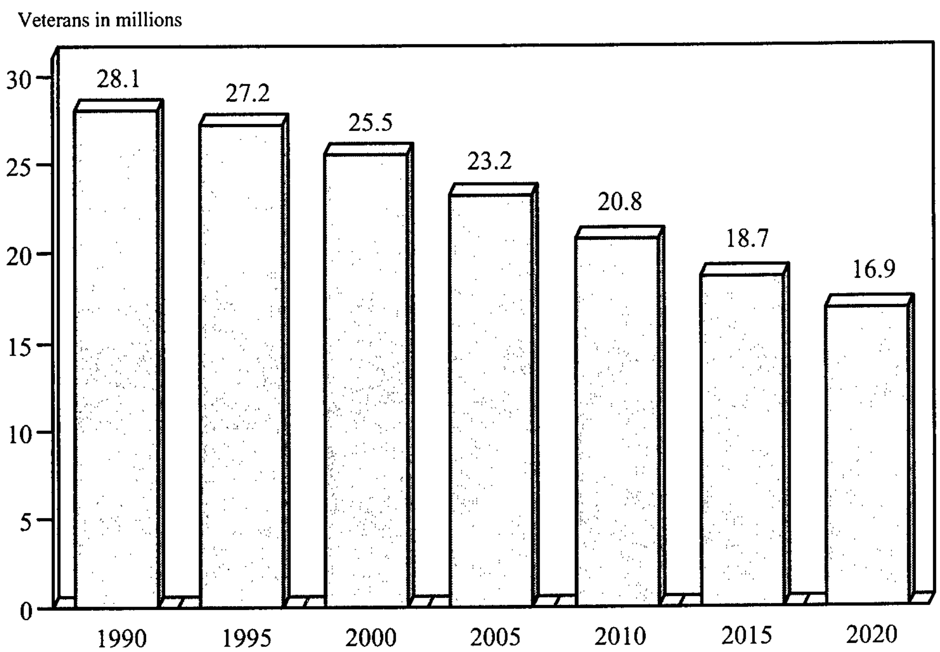
Active duty military personnel are eligible for veterans housing benefits, and they can contribute to the Montgomery GI Bill program for education benefits that are paid later. VA employs 21 percent of the Federal Government's non-Department of Defense (DOD) work force—approximately 220,000 people, about 195,000 of whom deliver or support medical services to veterans.

The veteran population continues to decline and age (see Chart 16–1). The types of benefits and services needed by veterans likely will change as the population ages. Further, as the veteran population shrinks and technology improves, access to quality services should continue to improve. The Administration will work to provide veterans with the kind of efficient and effective service, which has been lacking.

Veterans Health Administration (VHA)

VA provides health care services to over four million veterans through its national system of 22 integrated health networks, consisting of 172 medical centers, 781

Chart 16-1. Estimated Veteran Population



outpatient clinics, 135 nursing homes, 43 domiciliaries, and 206 vet centers. VA is an important part of the Nation's social safety net because over 42 percent of its patients are low-income veterans who might not otherwise receive care. It also is a leading health care provider for veterans with substance abuse problems, mental illness, HIV/AIDS, and spinal cord injuries.

VA's core mission is to meet the health care needs of veterans who have compensable service-connected injuries or very low incomes. By law, these core veterans are the highest priority for available Federal dollars for health care. The Veterans Health Care Eligibility Reform Act of 1996 allowed VA, for the first time, to treat all veterans "enrolled" in the system. VA was able to enroll all veterans that its funding level would allow. Previously, VA could provide care to lower-priority veterans (non-disabled, high-income) only on a space-available basis. Many people claim that these lower-priority veterans pay for themselves through co-payments and insurance collections; however, VA's collections total only $0.6 billion annually for all categories of veterans—a figure that has not substantially changed over the last five years despite the fact that 21 percent of its users are lower-priority patients. VA will emphasize increasing collections from lower-priority veterans so that this population will eventually pay for itself.

As a result of past problems in delivering timely, quality care, VA will emphasize its service and access initiative. This multi-year effort sets the standard to provide patients with primary and specialty care appointments within 30 days, and to ensure patients are seen within 20 minutes of their scheduled appointment at a VA health care facility.

Currently, more than 700,000 military retirees are enrolled in both the Department of Defense (DOD) and the VA health systems and may use either whenever they choose. As a result, DOD and VA encounter problems

in allocating the necessary resources due to their difficulty estimating the number of people that will obtain health care services in each of the systems. The budget includes appropriations language for DOD that will require military retirees to choose either DOD or VA as their health delivery system—providing continuity of care and a more efficient use of resources.

In the mid-1990s, VA reorganized its field facilities from 172 largely independent medical centers into 22 Veterans Integrated Service Networks (VISNs), charged with providing veterans the full continuum of care. During the same time, legislation was passed that eased restrictions on VA's ability to contract for care and share resources with DOD hospitals, State facilities, and local health care providers.

VA's efforts in reengineering its health care program have resulted in significant reductions in the cost per patient treated while quality of care increased. Reengineering efforts within VHA included restructuring veterans' health care (to include the organizational, financial, and management change associated with the VISNs), shifting to a primary care delivery system, and implementing clinical and administrative consolidations and integrations. However, VA still lags behind the private sector in some respects. The significant changes were:

- patients treated per year increased by over 37 percent (from 2.8 to 3.8 million—includes veterans and non-veterans);
- annual inpatient admissions decreased 38 percent (347,894 fewer admissions) in 2000 while ambulatory care visits increased by 56 percent to 39.2 million (14 million increase); and
- approximately 1,150 sites of care delivery have been organized under 22 VISNs.

Because of VHA's increased emphasis on service delivery and access, the following specific performance goals have been developed:

- increase the percentage of patients who receive a non-urgent patient appointment with their primary care or other appropriate provider within 30 days (baseline will be 2001; strategic goal is 90 percent);
- increase the percentage of patients who receive a non-urgent appointment with a specialist within 30 days of the date of referral (baseline will be 2001; strategic goal is 90 percent); and
- increase the percentage of patients who are seen within 20 minutes of their scheduled appointment to 75 percent in 2002 (1997 baseline is 55 percent; strategic goal is 90 percent).

Also, VA formed partnerships with the National Committee on Quality Assurance, the American Hospital Association, the American Medical Association, the American Nurses Association, and other national associations to ensure quality patient care. The Chronic Disease Care Index II measures VA physicians' adherence to established industry practice guidelines for key diseases affecting veterans. Similarly, the Prevention Index II measures adherence to disease prevention and screening guidelines. VA plans to:

- increase the scores on the Chronic Disease Care Index II to 78 percent by 2002 (strategic goal is 82 percent); and
- increase the scores on the Prevention Index II to 76 percent by 2002 (strategic goal is 85 percent).

Medical Research: VA's research program provides $360 million to conduct basic, clinical, epidemiological, and behavioral studies across the spectrum of scientific disciplines, seeking to improve veterans medical care and health and enhance our knowledge of disease and disability. If all funding sources are included, VA spends more than $1 billion on research. In 2002, VA will focus its research efforts on aging, chronic diseases, mental illness, substance abuse, sensory loss, trauma-related impairment, health systems research, special populations (including Persian Gulf War veterans), and military occupational and environmental exposures.

- VA will increase to 60 percent the degree of Institutional Review Board compliance with National Committee for Quality Assurance accreditation (strategic goal is 100 percent).

Health Professions Education and Training: VA conducts education and training programs to enhance the quality of care provided to patients within the health care system. Education and training efforts for health profession students and residents are accomplished through partnerships with affiliated academic institutions. Title 38 U.S.C. mandates that VA assist in the training of health professionals for its own needs and for those of the Nation. Building on the long-standing, close relationships between VA and the country's academic institutions, VA plays a leadership role in defining the education of future health care professions to help meet the rapidly changing needs of the Nation's health care delivery system. Each year, approximately 85,000 medical and other students receive some or all of their clinical training in VA facilities through affiliations with over 1,200 educational institutions, including 107 medical schools. Many of these trainees have their health professions degrees and contribute substantially to VA's ability to deliver cost-effective and high-quality patient care during their advanced clinical training at VA.

- In 2002, VA will increase medical residents' and other trainees' scores to 81 on a VA survey assessing their clinical training experience (strategic goal is 85 out of a possible 100).

Veterans Benefits Administration (VBA)

VBA processes veterans' claims for benefits in 57 regional offices across the country. As the veteran population declines, generally the number of new compensation and pension claims and appeals from veterans is expected to decline. VBA anticipates a slight increase in new claims from survivors and claims for burial benefits. Since 1993, VBA has realigned 57 regional offices into nine service delivery networks. It has established nine Regional Loan Centers and four Regional Processing Offices for education claims in an effort to improve efficiency and quality of services to its customers. VBA has also taken steps to integrate information technology into claims processing to improve timeliness and quality of service delivery. It has also implemented a "balanced scorecard," a tool that has helped management to weigh the importance of and measure progress toward meeting VBA's strategic goals. These include improving responsiveness to customers' needs and expectations, improving service delivery and benefit claims processing, and ensuring best value for the available taxpayers' dollar.

VBA monitors its performance in deciding disability benefits claims through measures of accuracy, customer satisfaction, processing timeliness, and unit cost. Performance remains noticeably off track in the timeliness and accuracy of processing claims for disability compensation and pensions. Claims processing has become increasing complex as a result of an increased number of disabilities per claim as veterans age. Moreover, workload suddenly increased in 2001 as the result of new legislation and regulatory changes. The recent duty-to-assist-veterans legislation and the agent-orange diabetes presumption regulation will generate a workload increase of more than 20 percent in 2001. In light of these changes, performance will substantially decline in the near term. Improving benefits delivery is a top priority of this Administration, so considerable attention and resources will be expended to ensure that this temporary setback will be overcome.

In 2002:

- VA will process rating-related disability claims in 273 days (from 173 days in 2000; strategic goal is 74 days); and
- VA's rating accuracy (for core rating work) will be 75 percent (from 59 percent in 2000; strategic goal is 96 percent).

Income Security

Several VA programs help disabled veterans and their survivors maintain their income. The Federal Government will spend over $24 billion for these programs in 2002, including the funds the Congress approves each year to subsidize life insurance for veterans who are too disabled to obtain affordable coverage from private insurers. Veterans may receive these benefits in addition to the income security benefits available to all Americans, such as Social Security and unemployment insurance. VBA is developing outcome goals for the compensation and pension programs.

Compensation: Veterans with disabilities resulting from, or coincident with, military service receive monthly compensation payments based on the degree of disability. The payment does not depend on a veteran's income or age or whether the disability is the result of combat or a natural-life affliction. It does depend, however, on the average fall in earnings capacity that the Government presumes for veterans with the same degree of disability. Survivors of veterans who die from service-connected injuries receive payments in the form of dependency and indemnity compensation. Compensation benefits are indexed annually by the same cost-of-living adjustment (COLA) as Social Security, which is an estimated 2.5 percent for 2002.

The number of veterans and survivors receiving compensation benefits will total an estimated 2.7 million in 2002. While the veteran population will decline, the compensation workload is expected to increase due mainly to numerous changes in eligibility such as the new duty-to-assist legislation and the agent-orange diabetes presumption. COLAs and increased payments to aging veterans will increase compensation spending by more than $5 billion from 2002 to 2006.

Pensions: The Government provides pensions to lower-income, wartime-service veterans or veterans who became permanently and totally disabled after their military service. Survivors of wartime-service veterans may qualify for pension benefits based on financial need. Veterans' pensions, which also increase annually with cost-of-living adjustments, will cost nearly $3 billion in 2002. The number of pension cases will continue to fall from an estimated 587,000 in 2002 to less than 522,000 in 2006 as the number of veterans declines.

Insurance: VA has provided life insurance coverage to service members and veterans since 1917 and now directly administers or supervises eight distinct programs. Six of the programs are self-supporting, with the costs covered by policyholders' premium payments and earnings from Treasury securities investments. The other two programs, designed for service-disabled veterans, require annual congressional appropriations to meet the claims costs. Together, these eight programs will provide $554 billion in insurance coverage to over 4.2 million veterans and service members in 2002. The program provides insurance protection to veterans who cannot purchase commercial policies at standard rates because of their service-connected disabilities. The program is designed to provide disbursements (e.g., death claims, policy loans, and cash surrenders) quickly and accurately, meeting or exceeding customers' expectations.

Veterans' Education, Training, and Rehabilitation

Several Federal programs support job training and finance education for veterans and others. The Department of Labor runs several programs for veterans. In addition, several VA programs provide education, training, and rehabilitation benefits to veterans, military personnel, reservists, and survivors and dependents who meet specific criteria. These programs include the Montgomery GI Bill—which is the largest—the post-Vietnam-era education program, the Vocational Rehabilitation and Employment (VR&E) program, and the Work-Study program. Spending for all these VA programs will total an estimated $2.4 billion in 2002.

- In 2002, VA will increase to 67 percent the percentage of VR&E participants who acquire and maintain suitable employment and are considered to be rehabilitated (from the 2000 level of 65 percent; strategic goal is 70 percent).

The Montgomery GI Bill (MGIB): The Government originally created MGIB as a test program, with more-generous benefits than the post-Vietnam era education program, to help veterans move to civilian life and to help the Armed Forces with recruitment. Service members who choose to enter the program have their pay reduced by $100 a month in their first year of military service. VA administers the program and pays basic benefits once the service member becomes eligible. Legislation enacted in 2000 dramatically increased these benefits by more than 20 percent and authorized MGIB payments to active-duty personnel to supplement their military tuition assistance. Basic benefits available now total over $23,000 per recipient, and program participants may receive additional benefits if they contribute more of their own pay.

MGIB beneficiaries receive a monthly check based on whether they are enrolled as full- or part-time students. They can get 36 months worth of payments, but they must certify monthly that they are in school. DOD may provide additional benefits to help recruit certain specialties and critical skills. VA estimates that nearly 650,000 veterans and service members will use these benefits in 2002. The MGIB also provides education benefits to reservists while they are in service. DOD pays these benefits, and VA administers the program. In 2002, more than 70,000 reservists will use the program. Over 90 percent of MGIB beneficiaries use their benefits to attend a college or university.

- In 2002, VA will increase the MGIB usage rate by eligible veterans to 60 percent (from 55 percent in 2000; strategic goal is 70 percent).

Veterans' Housing

In 2002, VA will guarantee an estimated 240,000 loans totaling $28.9 billion. Approximately 80 percent of these loans will have no downpayment, with over half going to first-time homebuyers. The Federal Government will spend an estimated $197 million in 2002 on this program. This amount represents the subsidy necessary to help offset costs due to foreclosures, as well as administrative expenses.

Avoiding foreclosure is critical to VA and veterans. VA's goal is to reduce the likelihood of foreclosure through aggressive intervention actions when loans are referred to VA as a result of three payments in default. Costs to the Government are reduced when VA is able to pursue an alternative to foreclosure. Veterans are helped either by saving their home or avoiding the expense and damage to their credit rating caused by foreclosure.

- In 2002, of the loans headed for foreclosure, VA will be successful 34 percent of the time in ensuring that veterans avoid foreclosure.

As part of a continuing effort to reduce administrative costs, in addition to restructuring and consolidations, VA is conducting a study of the property management function to determine whether it would be more cost effective to contract this activity. The study will be completed in 2001. The Administration proposes to eliminate the vendee home loan program—a program unrelated to VA's mission. Vendee loans are awarded to the general public when purchasing a home acquired by the Federal Government after a veteran defaults on a VA-guaranteed home loan.

National Cemetery Administration (NCA)

VA provides burial in its national cemetery system for eligible veterans, active duty military personnel, and their dependents. VA manages 119 national cemeteries across the country and will spend over $121 million in 2002 for VA cemetery operations, excluding reimbursements from other accounts. Over 82,700 veterans and their family members were buried in national cemeteries in 2000. In addition, VA has jointly funded 45 State veterans cemeteries through its State Cemetery Grants Program. In 2000, VA provided 327,514 headstones and markers for eligible veterans, who were buried in national, State, and private cemeteries. In addition, NCA installed 24 information kiosks and encouraged non-VA national and State veterans cemeteries to place headstone orders on-line.

- In 2002, VA will increase the percentage of veterans served by a burial option within a reasonable distance of the veteran's place of residence to 77 percent (from the 2000 level of 75 percent; strategic goal is 88 percent).

Related Programs

Many veterans get help from other Federal income security, health, housing credit, education, training, employment, and social service programs that are available to the general population. The Administration inherited some duplication and often redundant Government programs, but it will work to reduce these inefficiencies wherever possible. A number of these programs have components specifically designed for veterans. Some veterans also receive preference for Federal jobs.

Tax Incentives

Along with direct Federal funding, certain tax benefits help veterans. All cash benefits that VA administers (i.e., disability compensation, pension, and MGIB benefits) are excluded from taxable income. Together, these three exclusions will cost nearly $4 billion in 2002, and over $20 billion between 2002 and 2006.

17. ADMINISTRATION OF JUSTICE

Table 17–1. Federal Resources in Support of Administration of Justice
(In millions of dollars)

Function 750	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	27,056	29,955	29,782	31,918	32,269	32,760	33,517
Mandatory Outlays:							
Existing law	996	673	1,458	1,117	2,543	2,467	2,534

Note: 2002–2004 program levels reflect delays in spending from the Crime Victims Fund.

While States and localities bear most of the responsibility for fighting crime, the Federal Government plays a critical role, both in supporting State and local activities and in investigating and prosecuting criminal acts that require a Federal response. In 2002, the Federal Government proposes to spend nearly $30 billion on the administration of justice, with 67 percent of these funds going to the Justice Department, and the majority of the remaining funds going to the Treasury Department and the Judicial Branch. Total Federal, State, and local resources devoted to the administration of justice will grow to an estimated $181 billion in 2002 (see Chart 17–1).

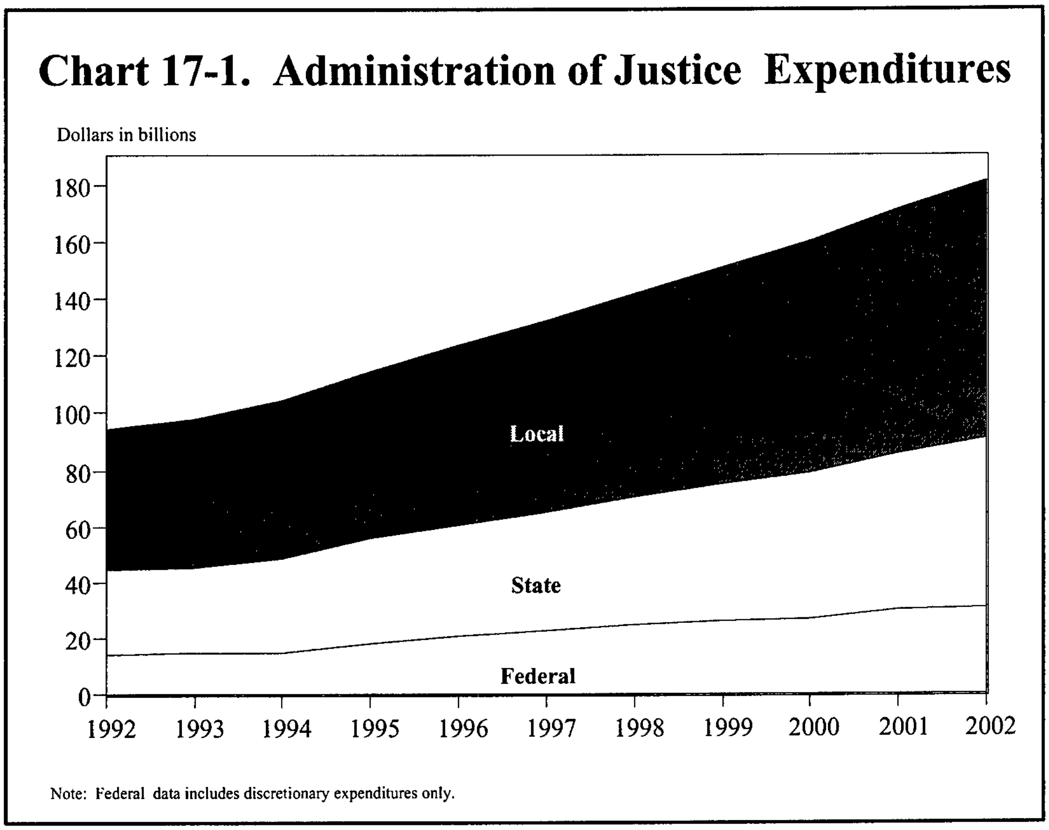
In 1999, the crime rate (number of crimes per 100,000 inhabitants) fell for the eighth consecutive year. However, the crime rate reported for the first six months of 2000, the most recent period for which figures are available, fell only 0.3 percent from the same period in 1999. In response, the budget requests substantial funding for proven anti-crime programs, including: (1) law enforcement; (2) litigative and judicial activities; (3) correctional activities; and (4) assistance to State and local entities (see Chart 17–2).

Law Enforcement

Department of Justice (DOJ): DOJ enforces diverse Federal laws dealing with terrorism, immigration, white collar crime, violent crime, drug smuggling, and many other criminal acts. DOJ bureaus work closely with State and local law enforcement agencies, often through joint task forces, to address crime problems.

National security and terrorism: DOJ, with strong support from Congress, has acted to prevent, mitigate, and investigate acts of terrorism, including the use of weapons of mass destruction and the emerging threat of cybercrime. The Department will spend an estimated $902 million in 2001 to combat terrorism, primarily in the Federal Bureau of Investigation ($491 million) and the Office of Justice Programs ($221 million).

The FBI has primary responsibility for preventing domestic acts of terrorism. If an incident should occur, it is the lead investigative agency. The FBI also has developed the capacity to mitigate and investigate cyber-attacks against the Federal Government, the Nation's critical infrastructure, and American businesses. The budget proposes additional personnel and funding for new technology to support this effort. Additional funding is requested to provide security at the 2002 Winter Olympics in Salt Lake City. The budget also proposes additional resources for the Criminal Division to provide prosecutorial assistance for all terrorist incidents, including cyber-terrorism, serving as a focal point for such efforts at all levels of law enforcement.



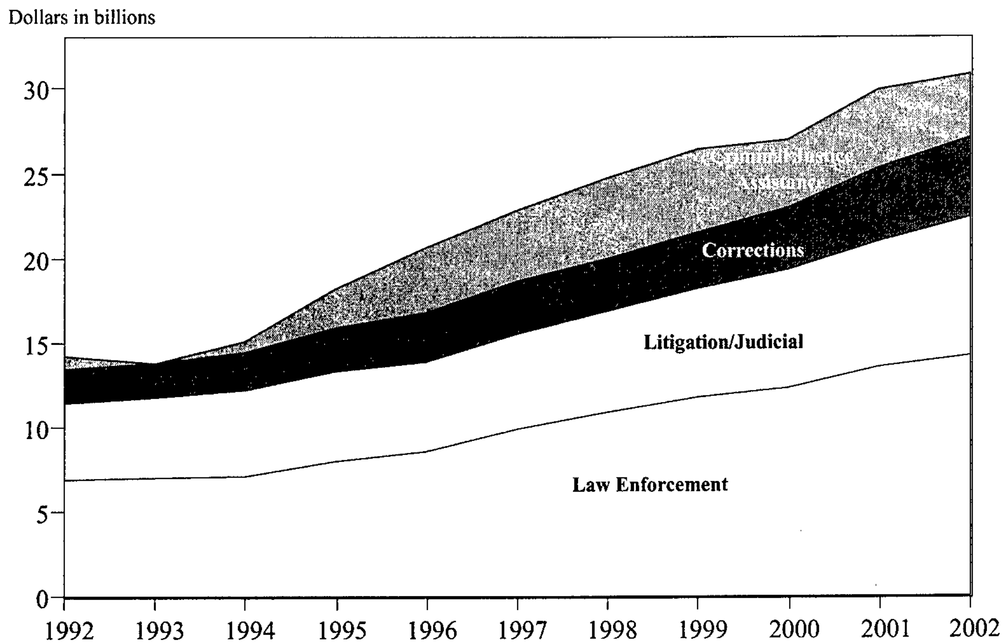
State and local public safety agencies would have a major role in managing the consequences of any terrorist event involving the use of weapons of mass destruction, such as biological, chemical, or nuclear weapons. DOJ and other Federal agencies support the necessary training and equipping of State and local agencies to ensure their response readiness.

- In 2002, DOJ's Office of State and Local Domestic Preparedness Support plans to train an additional 12,000 of the Nation's first responders.

Immigration enforcement and services: DOJ's Immigration and Naturalization Service (INS) protects the U.S. borders from illegal immigration while providing services to legal aliens. Over $3.5 billion is requested for INS in 2002, $264 million (8.1 percent) more than was appropriated for 2001. The 2002 Budget proposes to add 570 new Border Patrol agents in both 2002 and 2003. With these 1,140 additional agents, the total increase of 5,000 Border Patrol agents authorized by the Illegal Immigration Reform and Immigrant Responsibility Act of 1996 will be achieved. Approximately 11,000 agents will be deployed along the Nation's northern and southern borders by the end of 2003, 12 percent more than the 2001 level of 9,800 agents.

- As part of its comprehensive enforcement strategy, INS removed from the United States 183,860 illegal aliens pursuant to final removal orders in 2000, a slight increase over the 1999 level (178,200), and plans to increase removals in 2002 (193,200), of which roughly 72,000 will be criminal aliens.
- In 2002, INS will continue to focus on strengthening its capability to apprehend and deter alien smugglers and drug carriers. In 2000, INS intercepted roughly 19,000 offshore travelers, over twice the number in 1999 (9,124). INS plans to maintain this level of interceptions in 2001 and 2002.

Chart 17-2. Federal Justice Expenditures



Note: Data includes discretionary expenditures only.

- INS reduced the average time between application receipt and naturalization decisions for qualified candidates from a national average of 27 months in 1998 to eight months by the end of 2000. However, applicants for other immigration benefits—including adjustment of status applications for both employment-based and family-based petitions—continue to wait years for their paperwork to be processed. The 2002 Budget proposes a five-year, $500 million initiative to support a universal six-month processing standard for all immigration applications.

- INS performance is adversely affected by competing missions—law enforcement versus service delivery. To mitigate internal conflicts, the Administration will propose splitting INS into two agencies with separate chains of command, but reporting to a single policy official in DOJ.

Other law enforcement efforts: DOJ also combats other serious criminal activity, including violent crime, illegal drugs, and white collar crime. These efforts are lead by the FBI and the Drug Enforcement Administration. The U.S. Marshals Service protects the Federal courts and their officers, apprehends fugitives, and maintains custody of prisoners involved in judicial proceedings.

- In 2002, the Federal Government will continue its commitment to reduce the incidence of violent crime.

- DOJ will dismantle three of the 30 violent gangs identified as the country's most dangerous.

- In 2002, the U.S. Marshals Service intends to improve its performance, apprehending 80 percent of violent offenders within one year of the issuance of a warrant, and reducing the fugitive backlog by five percent from 2001 levels. At the end of 2000,

there were 8,642 outstanding fugitive warrants.

- In addition, the U.S. Marshals Service will strive to ensure that no judge, witness, or other court participant is the victim of an assault stemming from his or her involvement in a Federal court proceeding. This is an ongoing standard of zero tolerance related to court security.

Department of the Treasury: Within the Treasury Department, the U.S. Customs Service, Bureau of Alcohol, Tobacco and Firearms (ATF), United States Secret Service, and other bureaus enforce laws related to drug and contraband at our borders; commercial fraud; firearms trafficking; arson and explosives crimes; and financial crimes, including money laundering, counterfeiting, and credit card fraud. In addition, the Customs Service regulates the importation and exportation of goods; ATF regulates the alcohol, tobacco, firearms, and explosives industries; and, the Secret Service protects the President, Vice President, and visiting foreign dignitaries. The Federal Law Enforcement Training Center provides basic and advanced training to Treasury and other law enforcement personnel. The Financial Crimes Enforcement Network supports law enforcement agencies in the detection, investigation, and prosecution of domestic and international money laundering.

In 2002, the Treasury Department plans to:

- help solve violent crimes and reduce firearms trafficking by tracing up to 215,000 firearms used in criminal activities, compared to 209,396 in 2000, and by reducing its trace response time from 11.4 days in 1999 to 10 days;

- ensure the physical protection of the President, Vice President, visiting foreign dignitaries, and others protected by the Secret Service;

- maintain or improve upon its 99-percent collection rate for trade revenue (duties, taxes, and user fees); and

- improve importer compliance with trade laws (e.g., quotas, trademarks, cargo and merchandise classification) from 81 percent in 1997 to 90 percent in 2002.

The Customs Service, which plays an integral role in our Nation's drug enforcement and reduction strategies, will also continue implementation of the Western Hemisphere Drug Elimination Act (WHDEA). New funding for Customs (as well as the Coast Guard) will enhance efforts authorized by the WHDEA, including purchasing equipment, training law enforcement personnel in matters relating to maritime law enforcement, and enhancing interdiction against drug transit operations in the source zone.

Federal Drug Control Activities: In 1997, the Office of National Drug Control Policy (ONDCP) led Federal agencies involved in drug control activities in the development of a comprehensive, 10-year National Drug Control Strategy that incorporated aggressive societal goals for anti-drug programs. The goals established can not be met by Federal action alone, but require action by State, local, and foreign governments, the private sector, religious institutions, not-for-profit agencies, and individuals. ONDCP also led the development of a Performance Measures of Effectiveness (PME) system to track progress toward the goals of the Strategy. The PME system comprises 97 performance targets that define the drug control community's five and 10 year objectives. Much more progress will be necessary to meet these targets. The performance targets include:

- Reducing the overall rate of illegal drug use in the United States from the 1996 baseline by 25 percent by 2002 and by 50 percent by 2007. In 1999, the overall rate of illegal drug use was 7.0, statistically unchanged from the baseline year;

- Reducing the rate of drug-related violent crime by 15 percent by 2002, compared to the 1996 baseline, and by 40 percent by 2007. The rate of violent crime, regardless of cause, from the Uniform Crime Reports is used as a proxy for drug-related violent crime. In 1999, the violent crime rate was 525 per 100,000 U.S. inhabitants, compared to 636 in 1996, a 17-percent decline; and

- Reducing the number of chronic drug users by 20 percent from the 1996 baseline by 2002 and by 50 percent by 2007. In 2000, the most recent year for which such

data are available, the estimated number of chronic hardcore cocaine users declined marginally from 3.41 million users in 1996 to 3.33 million. The number of chronic hardcore heroin users increased from 917,000 to 977,000 over the same period.

The strategy established in 1997 will continue to guide Federal drug control activity. However, led by ONDCP, the Administration will review the strategy with the goal of distinguishing approaches that are yielding sufficient results from those approaches that are not. In particular, the review will look closely at the relative emphasis on demand reduction and supply reduction activities, as well as the amounts invested in individual programs by the Federal Government. The Administration intends to develop a drug control strategy that adequately addresses the problem, and is evidence-based, cost effective, and affordable.

Civil Rights Laws: Federal responsibility to enforce civil rights laws in employment and housing arises from Titles VII and VIII of the Civil Rights Act of 1964, as well as more recent legislation, including the Age Discrimination in Employment Act and the Americans with Disabilities Act. The Department of Housing and Urban Development (HUD) enforces laws that prohibit discrimination on the basis of race, color, sex, religion, disability, familial status, or national origin in the sale or rental, provision of brokerage services, or financing of housing. The Equal Employment Opportunity Commission enforces laws that prohibit employment discrimination on the basis of race, color, sex, religion, disability, age, and national origin. DOJ's Civil Rights Division and the U.S. Attorneys enforce a variety of criminal and civil statutes that protect the constitutional and statutory rights of the Nation's citizens.

In 2002, DOJ will devote increased resources to its responsibilities associated with worker exploitation; the Voting Rights Act; criminal civil rights violations; and the President's New Freedom Initiative for the Americans with Disabilities Act. Other priority areas include enforcement efforts to combat housing and lending discrimination and a study to determine the extent to which police engage in racial profiling.

The Voting Rights Act requires certain jurisdictions to submit redistricting changes to the Attorney General for review and clearance. As redistricting data from the 2000 Census are released, DOJ will experience a surge of activity in this area. Additional resources will be provided to address requirements for the timely review of voting changes and redistricting proposals submitted by covered jurisdictions, as required by the Voting Rights Act.

HUD's Office of Fair Housing and Equal Opportunity expects to receive over 11,000 allegations of housing discrimination in 2002. Combating housing discrimination supports many larger public policy objectives. Most significantly, the prevention and education of discrimination in housing and housing-related transactions helps bridge the large gap in home ownership rates that now exists between racial and ethnic groups (especially African-Americans and Hispanics).

- Through its Comprehensive Enforcement Program for strategically focusing agency resources on performance goals, the Equal Employment Opportunity Commission (EEOC) plans to continue improving the timeliness and quality of service to the public. In 2002, the performance goals for EEOC are to reduce its backlog of private sector complaints by six percent from 34,297 in 2000 to 32,296. To accomplish this goal, EEOC plans to increase the percent of newly filed charges resolved within 180 days from 55 percent in 2000 to 60 percent in 2002.
- EEOC also plans to sustain or increase the goal for "beneficial" resolutions from 20 percent in 2000 to 22 percent in 2002. "Beneficial" outcomes include conciliations, successful mediations, settlements with benefits, and withdrawals with benefits. These outcomes are the result of both the nationwide mediation program, which resolves disputes early in a non-adversarial setting, and stronger investigator-attorney collaboration to effectively address substantive issues.

Litigative and Judicial Activities

Department of Justice: United States Attorneys offices are the chief prosecutorial arm of the Federal Government within their judicial district and are responsible for the majority of criminal and civil litigation for the United States. Each U.S. Attorney's office is responsible for investigating and prosecuting alleged violations of Federal law brought to their attention by Federal, State, and local law enforcement agencies. Prosecution of those who violate Federal law is supported by the six litigating divisions of DOJ that specialize in specific areas of law—Civil, Criminal, Civil Rights, Environment and Natural Resources, Tax, and Antitrust. In 2002, Project Sentry will support partnerships of Federal, State, and local law enforcement agencies to establish Safe School Task Forces and appropriately prosecute juveniles who violate firearms laws, as well as adults who illegally purchase guns for juveniles.

Legal Services Corporation (LSC): The Federal Government, through LSC, ensures equal access to our Nation's legal system by providing funding for civil legal assistance to low income persons. For millions of Americans, LSC-funded legal services is the only resource available to access the justice system. LSC provides direct grants to independent local legal services programs chosen through a system of competition. LSC programs serve clients in every State and county in the Nation. Last year, LSC-funded programs provided legal assistance and information to almost one million clients. Legal services clients are as diverse as the Nation, encompassing all races, ethnic groups, and ages. They include the working poor, veterans, family farmers, people with disabilities, and victims of natural disasters. The most common types of cases that people bring to LSC-funded offices are related to domestic violence, family law, housing, employment, Government benefits, and consumer matters.

Judicial Branch: The Judicial Branch is comprised of over 2,100 trial judges, magistrates, and bankruptcy judges, in addition to the nine justices of the Supreme Court. The system is made up of a three-tiered hierarchy with the Supreme Court at the top, the 13 courts of appeals in the middle, and the 94 district courts, the Court of International Trade, and the Court of Federal Claims at the bottom. The Federal judicial system is empowered by Article III of the Constitution to ensure that certain rights and liberties are extended to all persons. The system has witnessed historic growth in recent years that is chiefly attributable to the expanding jurisdiction of Federal courts in the form of over 200 new Federal laws, and the increased criminal filings in district courts along the Southwestern United States border where five districts now account for roughly one-quarter of all criminal filings nationwide.

Correctional Activities

The 2002 Budget proposes $4.7 billion for corrections activities, a $360 million increase over the 2001 level. As of December 2000, there were over 146,100 inmates in the Federal prison system, up 125 percent since 1990. This growth is due to tougher sentencing guidelines, the abolition of parole, minimum mandatory sentences, and significant increases in law enforcement spending. This increase is largely associated with the arrest and conviction of drug offenders, who now account for 57 percent of inmates in the Federal system.

The rapid growth in inmate population is expected to continue. This presents a significant management and financial challenge to the Federal Government and the Bureau of Prisons. Despite the investment of more than $5 billion for prison construction over the past decade, the prison system is currently operating at 32 percent over rated capacity, up from 22 percent at the end of 1997. These conditions could potentially jeopardize public safety. To reverse this trend, the 2002 Budget includes almost $1 billion in new funding for activation of newly-constructed Federal prisons, for prison construction and modernization, and for contract bed space.

- The 2002 Budget also provides funding to ensure that the Federal Bureau of Prisons continues to enroll at least 34 percent of all inmates in one or more educational programs, that two-thirds of all prisoners attain a "GED," or high school diploma, at least seven months prior to their release, and that virtually all eligible

inmates are enrolled in residential drug treatment programs.

- In addition, the budget includes $5 million to evaluate the effectiveness of a faith-based, prison pre-release program in reducing the recidivism rate among ex-offenders. The program will be piloted at four Federal prisons that are geographically diverse, encompass varying levels of security, and include both male and female inmate populations to provide the data for the evaluation.

The National Capital Revitalization and Self-Government Improvement Act of 1997 transferred prison operations from the District of Columbia (D.C.) to the Federal Bureau of Prisons. The Bureau of Prisons will be responsible for housing all D.C. adult sentenced felons. All but one of the correctional facilities at the Lorton Correctional Complex have been closed, with only the Central Facility housing approximately 1,760 inmates remaining open. Currently, the Bureau of Prisons has accepted 3,149 of the approximately 8,000 D.C. adult felony inmates. All remaining D.C. adult felony inmates will be transferred to the Federal prison system when the Central Facility at the Lorton Correctional Complex is closed, no later than December 31, 2001.

Criminal Justice Assistance for State and Local Governments

The budget proposes $4.2 billion to help State and local governments fight crime, including $575 million to assist crime victims. This level reflects a $1 billion reduction in discretionary spending on State and local law enforcement assistance, which grew 500 percent between 1992 and 2001. The proposed reductions represent only six-tenths of a percent of State and local governments total criminal justice spending, and would come from programs that have already served their primary purpose or are less essential to Federal law enforcement objectives. Reductions include funding for such programs as State Prison Grants and a portion of the hiring grants under the Community Oriented Policing Services (COPS) program, both of which have achieved their original goals, and the discretionary portion of the Byrne Grant program, which has been heavily directed to special projects on a non-competitive basis. The budget continues funding for school resource officers under the COPS program. Even at the reduced level, the budget proposes a number of targeted initiatives and selected increases.

Protecting Children from Gun-Related Crime: The budget proposes $154 million in initiatives to help State and local governments protect our young people from gun-related violence and accidents. In coordination with the U.S. Attorneys' Project Sentry, $20 million in grants will be available to help establish partnerships for reducing youth gun violence. To ensure that free child safety locks are made available for every single handgun in America by 2006, $75 million will be allocated to Project ChildSafe. The budget also provides $50 million for grants to encourage States to get tough on gun criminals with increased arrests, prosecutions, and public awareness campaigns.

Drug Control and Treatment: As part of the Administration's broader strategy for reducing the supply and demand for drugs, the 2002 Budget proposes a new $50 million grant program within COPS to aid counties along the Southwest border with the costs of detaining and prosecuting drug cases referred to them by U.S. Attorneys. In addition, the Residential Substance Abuse Treatment program would receive $74 million ($11 million over 2001) to help fund drug treatment for State and local prisoners.

Stopping Violence against Women: To combat the significant problem of violence against women, the budget proposes $391 million ($103 million above 2001) to fund both existing and new programs authorized in the Violence Against Women Act of 2000.

- In 2002, the Violence Against Women Office plans to provide grants and technical assistance to aid 256 additional localities in developing pro-arrest policies and enforcement orders.

18. GENERAL GOVERNMENT

Table 18–1. Federal Resources in Support of General Government
(In millions of dollars)

Function 800	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	12,438	13,965	14,773	15,047	15,374	15,685	16,044
Mandatory Outlays:							
Existing law	1,041	2,334	1,798	1,809	2,018	1,822	1,795
Proposed legislation	....	....	7	....	1,201	1	1
Credit Activity:							
Direct loan disbursements	14	16	3	....	....	....	....
Tax Expenditures:							
Existing law	67,720	71,300	74,800	78,340	82,100	85,970	88,670

The General Government function encompasses the central management activities of the executive and legislative branches. Its major activities include Federal financial management (e.g., tax collection, public debt, currency and coinage, Government-wide accounting), personnel management, and general administrative and property management.

Four executive branch agencies are responsible for these activities: the Department of the Treasury (for which the budget proposes $14.7 billion); the General Services Administration ($513 million); the Office of Personnel Management ($226 million); and the Office of Management and Budget in the Executive Office of the President ($71 million).

Department of the Treasury

Treasury is the Federal Government's financial agent—collecting revenue, making payments and managing the Government's finances. It produces and protects the Nation's currency; helps set domestic and international financial, economic, and tax policy; enforces economic embargoes and sanctions; regulates financial institutions and the alcohol, tobacco, and firearms industries; and protects citizens and commerce against those who counterfeit money, engage in financial fraud, violate our border, and threaten our leaders. Treasury's law enforcement functions are discussed in Chapter 17, "Administration of Justice."

In 2002, Treasury will seek to collect an estimated $2.2 trillion in tax and tariff revenues due under law; issue more than $2 trillion in marketable securities and savings bonds to finance the Government's operations and promote citizens' savings; and produce 7.5 billion Federal Reserve Notes, 12 billion postage stamps, and 27 billion coins.

Internal Revenue Service (IRS): IRS is the Federal Government's primary revenue collector. IRS's mission is to provide America's taxpayers with top quality service by helping them understand and meet their tax responsibilities and by applying the tax law with integrity and fairness to all.

The President's Budget funds two major initiatives to improve IRS performance. First, the Administration requests $397 million in investments to modernize IRS's outdated computer systems. This multi-year project will provide IRS with the modern tools needed both to deliver first-class customer service to America's taxpayers and to ensure that compliance programs are administered fairly and efficiently. Failure to replace IRS's outdated computer systems compounds the risks

that taxpayers will be treated unfairly; that the IRS work force will not have the skills required to maintain the outdated systems; and that the cost of maintaining these archaic systems will grow. Second, the Administration proposes follow-on funding for IRS's Staffing Tax Administration for Balance and Equity initiative, begun in 2001. These funds are intended to complete the hiring of almost 4,000 staff and will enable IRS to address the decline in audits and the drop in customer service that have occurred over the past several years.

IRS is working to improve its work processes to enhance productivity and customer satisfaction. It has reorganized around customer-based operating divisions and implemented a performance measurement system that balances business results (including quality and quantity measures), customer satisfaction, and employee satisfaction for each business unit. In 2002, targets for several critical IRS performance measures include the following:

- improve customer satisfaction (based on random surveys) to 3.69 on a four-point scale for toll-free assistance (3.46 in 2000); 6.55 on a seven-point scale for walk-in customer service (6.5 in 2000); 4.9 out of seven for field examination (4.4 in 2000); and 5.0 out of seven for field collection (4.6 in 2000);
- continue to improve customer service through its toll-free assistance, answering 71 percent of calls, (59 percent in 2000), with an accuracy rate of 76 percent for tax law questions (73 percent in 2000);
- receive 38 percent of individual returns filed electronically, up from 28 percent in 2000 (working toward a legislative goal of 80 percent of all returns and information documents by 2007); and
- reverse the recent drop in enforcement activity, by closing 341,137 field ("face-to-face") tax examinations, up 36 percent from 251,108 in 2000.

Financial Management Service (FMS): FMS provides central payment services to Federal agencies, operates the Federal Government's collections and deposit systems, provides Government-wide accounting and reporting services, and manages the collection of delinquent debt. In 2002, FMS plans to:

- increase the percentage of Treasury payments and associated information transmitted electronically from 68 percent in 1999 to 73 percent in 2002;
- increase the total dollar amount of Federal Government receipts collected electronically from 72 percent in 1999 to 80 percent in 2002; and
- increase the amount of delinquent debt referred from Federal agencies to FMS for collection (as a percentage of delinquent debt eligible for referral) from 71 percent in 1999 to 75 percent in 2002.

Bureau of Public Debt (BPD): BPD conducts all public debt operations for the Federal Government and promotes the sale of U.S. savings-type securities. In 2002, BPD expects to continue to meet the following performance goals:

- issue at least 95 percent of over-the-counter bonds within three weeks of their purchase (99 percent in 2000);
- as in 2000, conduct all marketable securities auctions without error; and
- announce auction results within one hour 95 percent of the time (100 percent in 2000).

U.S. Mint: The U.S. Mint produces the Nation's coinage and manufactures numismatic products for the public. In 2002, the U.S. Mint seeks to achieve the following goals:

- introduce the fourth five-State series in the 50 States Commemorative Quarter Program; and
- maintain high levels of customer service by shipping commemorative coins within four weeks and recurring coins within three weeks of order placement.

In 2000, the Mint received a high customer satisfaction rating from buyers of numismatic and commemorative coins. Exceeding the scores of many private sector firms in the American Customer Satisfaction Index (ACSI), the Mint scored among the highest of the Federal agencies evaluated by ACSI.

Bureau of Engraving and Printing (BEP): BEP produces all U.S. currency, about half of U.S. postage stamps, and other Government securities. In 2002, BEP is expected to continue to achieve the following goals:

- meet all Federal Reserve and United States Postal Service orders as requested; and
- prevent more than 0.05 notes per million from being returned by the Federal Reserve because of counterfeit deterrence defects.

General Services Administration (GSA)

GSA provides policy leadership and expertly managed space, products, and services to support the administrative needs of Federal agencies. In 2002, revenues from GSA's various business lines are expected to exceed $16 billion. GSA is responsible for more than $50 billion a year in Federal spending for property management and administrative services, and management of assets valued at $450 billion.

In recent years, GSA has worked to develop a new Federal management model, focusing on performance measurement, accountability for agencies and employees, and the effective use of technology in changing work environments. GSA has established inter-agency groups to advise it on the policies, best practices, and performance benchmarks appropriate for each administrative service and information system. GSA's ultimate goal is a Federal Government in which agencies receive the administrative services they need, using the best known practices and at the least cost.

As a provider of many administrative services, GSA seeks to exceed all Government-wide performance goals and industry benchmarks for these services, as these benchmarks are developed or identified. Its overall goals as a service provider are to exceed its customer agencies' expectations for price, service, and quality. In 2002:

- the Public Buildings Service plans to deliver 65 percent of its construction, and 82 percent of its repair projects on schedule and within budget, up from 60 and 78 percent in 2001, respectively;
- the Federal Technology Service projects a 15 percent reduction from 1999 rates in monthly line charges for local telephone service;
- the Federal Supply Service seeks to reduce its costs of operations in the Supply and Procurement Business Line by 17 percent from 2000 costs; and
- the volume of purchases made with Federal charge cards is expected to total $20.4 billion, a 17-percent increase over 2000.

Because GSA provides services on a reimbursable basis, agency budgets fund most of GSA's activities. In 2002, for example, the Administration proposes $513 million (net discretionary budget authority) for GSA, primarily for the Office of Government-wide Policy, the Office of the Inspector General, and the construction of Federal buildings. However, the budget projects obligations of $18 billion through GSA's revolving funds. GSA also affects Federal spending through its delegation of authority for real property disposal, building operations, and the procurement of pharmaceuticals. In addition, GSA expects to administer contracts through which agencies will purchase more than $27 billion in goods and services outside of GSA's revolving funds.

Office of Personnel Management (OPM)

OPM provides human resource management leadership and services to Federal agencies and employees. The budget proposes a Federal civilian pay increase of 3.6 percent in 2002.

OPM provides policy guidance, advice, and direct personnel services and systems to the agencies; operates USAJOBS, a worldwide job information and application system; oversees the Federal civil service merit system, covering nearly 1.8 million employees; and provides retirement, health benefit, and other insurance services to Federal employees, annuitants, and agencies. Several OPM programs and related performance measures are discussed elsewhere in the budget. For example, see Chapter 12 for a discussion of the health benefits program and Chapter 14 for a discussion of the retirement program.

In 2002, OPM plans to support a broad range of existing strategic human resources management tools and produce proposals for new and expanded tools to attract, develop, manage, and retain a productive work force. Such tools include compensation flexibilities, continual learning and skill development, work/life balance programs, and a supportive work environment. In this endeavor, OPM will explore best and innovative practices from both the private and other public sectors.

In 2002, OPM expects to:

- implement a fully-functional, on-line work force planning system to meet the President's goal to flatten the Federal hierarchy and help Federal agencies align human resources with accomplishment of agency mission and objectives;
- expand access to Federal employment information by partnering, for the first time, with private sector companies to create links to the USAJOBS web site and maintain a 90 percent or better customer satisfaction level among USAJOBS users;
- increase by 10 percent the number of agencies with human resources management accountability systems that are aligned with strategic mission and goals;
- complete implementation of the Federal Employees Health Care Protection Act of 1998, which includes mandatory and permissive debarments and civil monetary penalties for untrustworthy health care providers to sustain the integrity of the Federal Employees Health Benefits Fund; and
- conduct 15 nationwide agency oversight reviews, including reviews of Executive Branch agencies whose personnel are not covered by title 5 of the U.S. Code, and a number of small agencies to ensure Federal agencies use merit principles in hiring and other personnel actions.

Office of Management and Budget (OMB)

OMB assists the President by preparing the Federal budget and overseeing its execution in the departments and agencies. In helping formulate the President's spending plans, OMB coordinates the review and examines the effectiveness of agency programs, policies, and procedures; assesses competing funding demands among agencies; and provides policy options. OMB works to ensure that proposed legislation and agency testimony, reports, and policies are consistent with Administration policies, leveraging use of interagency programs and Councils. On behalf of the President, OMB often presents and justifies major policies and initiatives related to the budget and Government management before Congress. As such, it performs an important function in representing the President's position during negotiations with Congress over budget issues and spending levels.

OMB and the Federal Government as a whole face enormous challenges to better manage a nearly $2 trillion budget, a Federal work force of 1.8 million, a procurement budget of approximately $200 billion, and a growing regulatory burden. OMB is often called upon to provide policy options for the President on key issues of importance at home or abroad, such as the Nation's policy on education, social security, military readiness, or taxes.

OMB has a central role in developing, overseeing, coordinating, and implementing Federal procurement, financial management, information, and regulatory policies. OMB helps to strengthen agency management, develop better performance measures, and improve coordination among Executive Branch agencies.

OMB manages a number of significant Government-wide efforts. Examples include: (1) the Chief Financial Officers Act; (2) the Government Performance and Results Act, integrating budget and performance data and compiling a Government-wide performance plan; (3) the Government Management Reform Act, which has led to agencies issuing accountability reports for the first time; (4) the Clinger-Cohen Act, which requires information technology resources capital planning and investment control, with performance-based acquisition strategies, all linked to budget requests; and (5) the Federal Acquisition Streamlining Act, to improve the efficiency and results of the Federal Government's procurement efforts.

OMB produced the annual budget for 2002 using a state-of-the-art off-site secure data facility to improve efficiency and timeliness, and improve services to agency customers. OMB is investing in additional information technology applications to improve efficiency and effectiveness of the OMB's staff in completing an increasing workload under pressing deadlines.

Tax Incentives

The Federal Government provides significant tax incentives that benefit State and local governments. It permits tax-exempt borrowing for public purposes, costing $23.5 billion in Federal revenue losses in 2002 and $122 billion over five years, from 2002 to 2006. (The budget describes tax-exempt borrowing for non-public purposes in chapters on other Government functions.) In addition, taxpayers can deduct State and local income taxes against their Federal income tax, costing $48.7 billion in 2002 and $276 billion over five years. Corporations with business in Puerto Rico and other U.S. possessions receive a special tax credit, costing an estimated $2.6 billion in 2002 and $11.4 billion over four years. This tax credit is phasing out and will expire at the end of 2005. Finally, up to certain limits, taxpayers can credit State inheritance and estate taxes against Federal estate taxes, costing $38 billion over five years.

19. NET INTEREST

Table 19–1. Net Interest
(In millions of dollars)

Function 900	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Mandatory Outlays:							
Existing law	223,218	206,369	188,126	175,223	161,456	144,626	127,132
Proposed legislation	....	....	5	21	37	53	68
Tax Expenditures:							
Existing law	470	490	520	540	570	600	630

The Federal Government pays large amounts of interest to the public, mainly on the debt it incurred to finance the excess of past budget deficits over surpluses. Net interest closely measures these Federal interest transactions with the public.

The Government also pays interest from one budget account to another, mainly because the Government invests its various trust fund balances in Treasury securities. Net interest does not include these internal payments.

A Falling Interest Burden

Largely as a result of the strong economic performance over the past several years, and policy actions to reduce the deficits, the long upward trend for net interest has ended. Since 1998, the budget surpluses have led to a reduction in debt and interest costs. This trend will accelerate over the next several years.

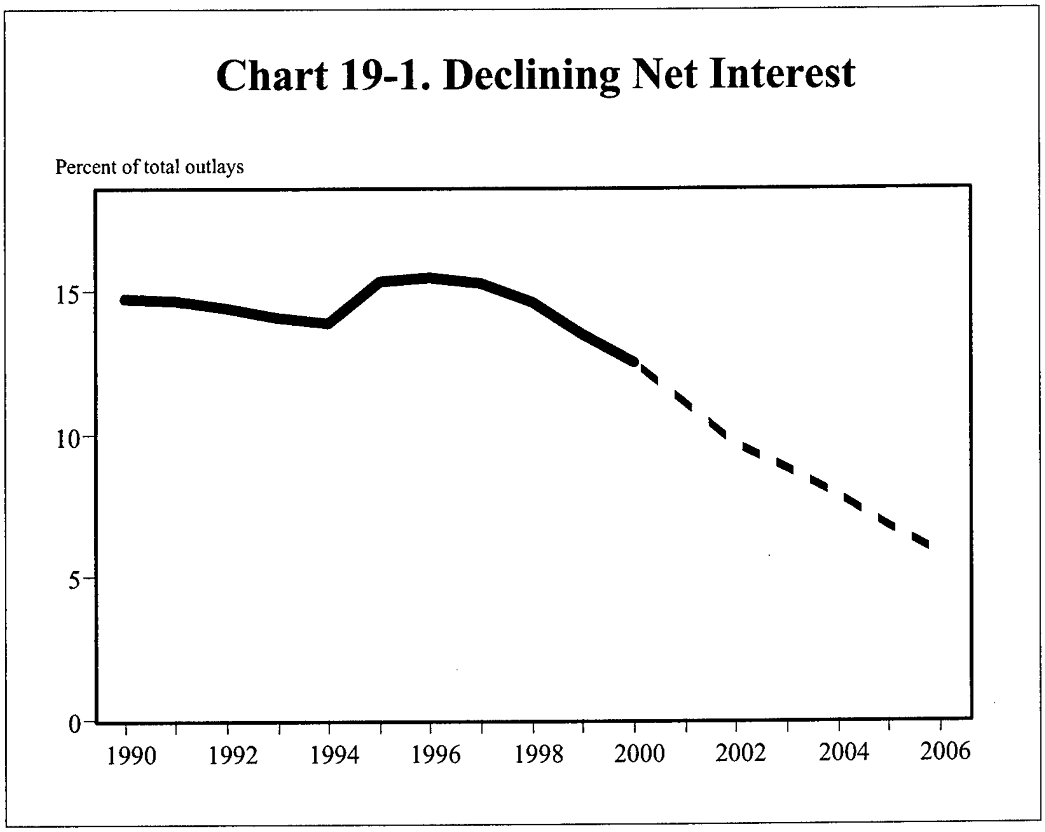
The amount of net interest depends on the amount of debt held by the public, as well as on the interest rates on the Treasury securities that comprise the debt. Net interest grew from 1.4 percent of GDP in 1970 to a peak of 3.3 percent of GDP in 1991 as a consequence of growing budget deficits. In dollar terms, net interest began to decline in 1998 with the first budget surplus in recent years. In 2006, net interest is projected to be $127.2 billion, about $116.8 billion below its 1997 peak. As a percentage of GDP, net interest will fall to an estimated 1.0 percent in 2006. And the interest burden as a percent of total outlays will plunge from a peak of 15.4 percent in 1996 to 5.8 percent in 2006. (See Chart 19–1.)

With the prospect of continuing surpluses, the Administration plans to reduce debt held by the public, and thus net interest will continue to decline rapidly over the next few years. The reduction in the debt burden will help to increase the resources for private sector investment, lower interest rates, and raise productivity growth.

Components of Net Interest

Net interest is defined as interest on Treasury debt securities (gross), minus the interest received by on-budget and off-budget trust funds, and adjusted for the receipts and outlays that are recorded as "other interest" (discussed later in this chapter).

An important part of the net interest function is to bring together the payment and receipt of interest from one Government account to another. The largest portion of these transactions involves the payment of interest to trust funds, which have invested their cash surpluses in Treasury securities. Within the interest function, the payments of interest to trust funds are included in



interest on Treasury debt securities (gross) and the receipts of interest by trust funds are shown, as negative amounts, in interest received by trust funds. A similar treatment is given to several special funds, such as the Nuclear Waste Disposal Fund and Abandoned Mine Reclamation Fund. For these special funds, payments of interest are included in interest on Treasury debt securities (gross) and the receipts of interest are shown, as negative amounts, in "other interest." A smaller category of intragovernmental interest payment occurs primarily in connection with Federal credit programs, when certain Government accounts borrow from the Treasury, which, in turn, must borrow from the public. In these instances, the payment of interest on the Treasury's borrowing from the public is shown as interest on Treasury debt securities (gross) and Treasury's receipt of interest from the borrowing agency is shown as "other interest."

Thus, the net interest total includes, where possible, both the paying side and receiving side of intragovernmental interest payments. The exception to this practice occurs where only the paying side is included in the interest function, as happens with payments of interest to revolving funds, such as the Bank Insurance Fund, Exchange Stabilization Fund, or Employee Life Insurance Fund. The payments to these funds are shown as interest on Treasury debt securities (gross), but the receipts by these funds are reported as offsetting collections within the fund, rather than offsetting receipts in the interest function. This practice leaves net interest as a close, though not precise, measure of the interest paid to the public.

In 2008 through 2011, the surplus exceeds the amount of maturing debt. When this happens, excess balances begin to accumulate and reach $1,288 billion by the end of 2011. These balances are assumed to earn interest. Because no institutional arrange-

ments are assumed regarding how or where the excess balances might be deposited, these interest earnings on excess balances are included, as offsetting receipts, in "interest on Treasury debt securities (gross)." The relationships among the surplus, debt held the public, and excess balances are discussed further in Chapter 12, "Federal Borrowing and Debt" in *Analytical Perspectives.*

Interest on Treasury Debt Securities (gross): Interest on Treasury debt securities (gross) is estimated to increase slightly from $351.0 billion in 2002 to $352.7 billion in 2006. The underlying debt includes the rising amount of trust fund balances in on-budget and off-budget Government accounts. At the end of 2000, the gross Federal debt totaled $5.6 trillion, compared to $4.0 trillion at the end of 1992. However, most of the growth in the gross Federal debt occurred by 1998; during the last two years, gross debt has increased only slightly. It will continue to increase through 2006 as the increase in trust fund balances exceeds the decline in debt held by the public.

Interest Received by Trust Funds: As was noted earlier, interest received by trust funds is deducted from the interest on Treasury debt securities (gross) to determine net interest. Total trust fund interest receipts are estimated to rise from $152.4 billion in 2002 to $213.4 billion in 2006.

The receipts of Social Security's Old-Age and Survivors Insurance and Disability Insurance (OASDI) trust funds are the largest of all the trust funds (and are excluded from the budget, and thus shown as "off-budget," under current law). OASDI trust fund interest is estimated to increase from $76.1 billion in 2002 to $120.1 billion in 2006. The other large trust funds which earn interest (and which are on-budget) include the civil service retirement and disability fund (whose interest is expect to rise from $36.5 billion in 2002 to $41.6 billion in 2006); the military retirement fund (whose interest is expected to rise from $12.6 billion in 2002 to $13.6 billion in 2006); and the Medicare Hospital Insurance (HI) trust fund (whose interest is expected to rise from an estimated $13.7 billion in 2002 to $22.6 billion in 2006).

Other Interest: Other interest includes both interest payments and interest collections. Receipts of interest are included for credit liquidating accounts and the Federal Financing Bank (which borrowed from the Treasury, mostly to support certain Federal credit programs). Receipts of interest are also included for special funds, as described above. Payments of interest include IRS payments on certain refunds, and payments to credit financing accounts that have deposited cash balances with the Treasury.

Budgetary Effect, Including the Federal Reserve

The Federal Reserve System buys and sells Treasury securities in the open market to implement monetary policy. The interest that Treasury pays on the securities owned by the Federal Reserve is included in net interest as a cost, but virtually all of it comes back to the Treasury as "deposits of earnings of the Federal Reserve System." These budget receipts will total an estimated $31.8 billion in 2002, rising to $36.7 billion in 2006.

20. ALLOWANCES

Table 20–1. Allowances
(In millions of dollars)

Function 920	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Spending:							
Discretionary Budget Authority ...	....	....	5,321	5,440	5,561	5,685	5,812

National Emergency Reserve

This allowance is part of the Administration's budget process reform proposal. The proposed National Emergency Reserve will help cover emergency costs associated with extraordinarily large domestic disasters. The amount of the reserve, $5.6 billion in 2002, is based on the average cost of previous large domestic disasters.

Adjustments to Certain Accounts

This allowance provides for growth in the budgets of certain agencies at rates closer to historical levels.

21. UNDISTRIBUTED OFFSETTING RECEIPTS

Table 21–1. Undistributed Offsetting Receipts
(In millions of dollars)

Function 950	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
Spending:							
Mandatory Outlays:							
Existing law	–42,581	–47,656	–51,803	–60,710	–62,399	–56,213	–57,761
Proposed legislation	....	....	2,400	331	–8,184	–2,651	–4,617

Undistributed offsetting receipts, totaling $49.4 billion in 2002, fall into two categories: (1) the Government's receipts from performing certain business-like activities, such as proceeds from oil and gas leases on the Outer Continental Shelf; and (2) collections of Federal agencies' contributions to Federal employees' retirement plans. Receipts from all business-like activities are offset against budget authority and outlays, instead of being recorded as governmental receipts, so that the budget totals represent the amount of resources allocated by the Government rather than by the market mechanism. Unlike most business-like receipts, which are offset within the same function as the spending that gives rise to the receipt, some are so large that it would distort the functional totals to distribute them by function. Instead, they are undistributed by function and offset against the budget totals.

Receipts of agency retirement contributions are offset against the payments, so that the budget totals measure the Government's transactions with the public. These intrabudgetary transactions are important for allocating costs to programs that incur the cost, but they have no net impact on total budget authority and outlays. They are offset against total budget authority and outlays because offsetting them within the functions in which the payments are recorded would cause the totals for those functions to seriously understate current expenditures.

Rents and Royalties on the Outer Continental Shelf (OCS)

The Department of the Interior's Outer Continental Shelf lands leasing program, which began in 1954, currently generates about 26 percent of total U.S. domestic production and 27 percent of total natural gas production. Since the OCS program's inception, it has held 131 lease sales, covering areas three to 200 miles offshore and generating over $134 billion in rents, bonuses, and royalties—mainly for the general fund of the Treasury—with an estimated $5.9 billion in OCS receipts in 2002. OCS revenues also provide nearly all funding for the Land and Water Conservation Fund.

Employee Retirement

In 2002, Federal agencies are expected to pay an estimated $41.6 billion on behalf of their employees to the Federal retirement trust funds,[1] the Medicare health insurance trust fund, and the Social Security trust funds. As civilian and military employees' pay rises, agencies must make commensurate increases in their payments to recognize the rising cost of retirement. The amount of

[1] The major programs are the Military Retirement System, the Civil Service Retirement System, and the Federal Employees' Retirement System.

receipts also changes with increases or decreases in the number of employees and changes in the retirement accruals charged to agencies. The agency payments and trust fund receipts are offsetting and do not affect the unified budget totals. Under the 1997 Balanced Budget Act, agency contributions for employees covered by the Civil Service Retirement System were increased from seven percent of salary to 8.51 percent beginning in 1998. These higher contributions are set to expire in 2003.

Spectrum Auction Receipts

In 1993, the President and Congress gave the Federal Communications Commission (FCC) authority to assign spectrum licenses through competitive bidding, which has proven to be a very efficient and effective way to allocate this finite public resource. Since the beginning of the auctions program, the FCC has auctioned over 14,300 licenses for over $31 billion in actual and expected cash receipts—encouraging the development of innovative telecommunications services and ensuring that the public receives compensation for the private use of a public resource. Over the next five years, spectrum auctions are expected to generate more than $25 billion in receipts.

The Administration is proposing authorization language that provides a legislative framework for FCC to develop regulations that promote clearing the spectrum in channels 60–69 (747–762 and 777–792 MHz) for new wireless services in a manner that ensures incumbent broadcasters are fairly compensated. The legislative language would also shift the statutory deadline for the 60–69 auction from 2000 to 2004 and shift the statutory deadline for the auction of channels 52–59 (698–746 MHz) from 2002 to 2006. As a result of the increased certainty about how and when the spectrum in channels 60–69 will become available for new entrants and shifting the deadlines for both auctions closer to when the spectrum is expected to become available, revenues for these auctions are expected to increase by $7.5 billion.

Arctic National Wildlife Refuge Lease Receipts

The Administration proposes to open up the coastal plain of the Arctic National Wildlife Refuge in northern Alaska to environmentally sound oil and natural gas leasing. The budget assumes leasing begins in 2004, generating $2.4 billion in lease bonus bids, with the bid receipts shared 50/50 with the State of Alaska. The remaining $1.2 billion would be dedicated for research and development of solar and renewable energy technology, to be conducted by the Department of Energy over seven years.

22. DETAILED FUNCTIONAL TABLES

Table 22–1. Budget Authority By Function, Category, and Program

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	73,838	75,435	80,266	....	....	....	....
Operation and maintenance	108,108	107,954	115,445	....	....	....	....
Procurement	54,972	62,111	59,493	....	....	....	....
Research, development, test and evaluation	38,707	40,829	44,396	....	....	....	....
Military construction	5,107	5,336	5,549	....	....	....	....
Family housing	3,544	3,623	4,100	....	....	....	....
Revolving, management, and trust funds and other	3,060	1,044	1,218	....	....	....	....
Total, Department of Defense—Military	287,336	296,332	310,467	318,998	327,924	337,093	346,555
Atomic energy defense activities:							
Department of Energy	12,270	13,499	13,357	13,653	13,959	14,271	14,589
Formerly utilized sites remedial action	150	140	140	143	146	150	153
Defense nuclear facilities safety board	17	18	19	19	20	20	21
Total, Atomic energy defense activities	12,437	13,657	13,516	13,815	14,125	14,441	14,763
Defense-related activities:							
Discretionary programs	994	1,282	1,107	1,132	1,155	1,182	1,209
Proposed Legislation (non-PAYGO)	....	....	–11	–11	–10	–12	–12
Total, Defense-related activities	994	1,282	1,096	1,121	1,145	1,170	1,197
Total, Discretionary	300,767	311,271	325,079	333,934	343,194	352,704	362,515
Mandatory:							
Department of Defense—Military:							
Military personnel	....	....	24	24	24	24	24
Revolving, trust and other DoD mandatory	4,924	326	323	410	320	319	317
Offsetting receipts	–1,764	–1,598	–1,457	–1,449	–1,408	–1,437	–1,395
Total, Department of Defense—Military	3,160	–1,272	–1,110	–1,015	–1,064	–1,094	–1,054
Atomic energy defense activities:							
Energy employee occupational illness compensation fund	....	358	597	477	253	222	149

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Energy employee occupational illness compensation fund, administrative expenses	....	50	136	100	55	50	33
Total, Atomic energy defense activities	....	408	733	577	308	272	182
Defense-related activities:							
Mandatory programs	209	216	212	222	232	238	246
Proposed Legislation (PAYGO)	....	....	162	150	150	80	60
Total, Defense-related activities	209	216	374	372	382	318	306
Total, Mandatory	3,369	–648	–3	–66	–374	–504	–566
Total, National defense	304,136	310,623	325,076	333,868	342,820	352,200	361,949
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	1,805	2,120	2,173	2,221	2,271	2,322	2,373
Multilateral development banks (MDB's)	1,121	1,145	1,210	1,236	1,265	1,292	1,319
Assistance for the New Independent States	528	808	808	826	845	863	882
Food aid	839	835	835	854	873	892	912
Refugee programs	635	713	730	746	763	780	797
Assistance for Central and Eastern Europe	425	675	610	624	637	652	666
Voluntary contributions to international organizations	307	295	296	303	309	316	323
Peace Corps	244	264	275	281	287	294	300
International narcotics control and law enforcement—Andean counterdrug initiative	1,179	324	948	969	991	1,013	1,035
Debt restructuring	123	447	224	229	234	239	245
Other development and humanitarian assistance	835	805	697	708	704	718	729
Total, International development, humanitarian assistance	8,041	8,431	8,806	8,997	9,179	9,381	9,581
International security assistance:							
Foreign military financing grants and loans	4,787	3,568	3,674	3,756	3,840	3,925	4,013
Economic support fund	2,896	2,315	2,289	2,340	2,392	2,445	2,500
Other security assistance	564	496	547	558	572	584	598
Total, International security assistance	8,247	6,379	6,510	6,654	6,804	6,954	7,111
Conduct of foreign affairs:							
State Department operations	3,033	3,276	3,929	4,009	4,097	4,188	4,282
Foreign buildings	727	1,078	1,291	1,320	1,349	1,379	1,410

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Assessed contributions to international organizations	881	869	879	899	919	939	960
Assessed contributions for international peacekeeping	498	844	844	863	882	902	922
Arrearage payment for international organizations and peacekeeping	351	....	....	....	....	....	....
Other conduct of foreign affairs	122	135	149	151	155	159	163
Total, Conduct of foreign affairs	5,612	6,202	7,092	7,242	7,402	7,567	7,737
Foreign information and exchange activities:							
International broadcasting	406	450	470	481	491	502	513
Other information and exchange activities	361	286	302	308	315	323	329
Total, Foreign information and exchange activities	767	736	772	789	806	825	842
International financial programs:							
Export-Import Bank	799	910	687	706	727	741	760
Special defense acquisition fund	–7	–7	....	....	....	....	....
Total, International financial programs	792	903	687	706	727	741	760
Total, Discretionary	23,459	22,651	23,867	24,388	24,918	25,468	26,031
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,246	–1,280	–1,205	–1,166	–1,127	–1,067	–1,022
Receipts and other	–54	–98	–9	–9	–9	–9	–9
Total, International development, humanitarian assistance	–1,300	–1,378	–1,214	–1,175	–1,136	–1,076	–1,031
International security assistance:							
Foreign military loan reestimates	186	–208	....	....	....	....	....
Foreign military loan liquidating account	–670	–550	–443	–365	–325	–319	–314
Total, International security assistance	–484	–758	–443	–365	–325	–319	–314
Foreign affairs and information:							
Conduct of foreign affairs	3	2	–2	–9	–9	–9	–9
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Vietnam debt repayment fund, transfers from liquidating fund	....	–6	–6	–5	–5	–5	–5
Total, Foreign affairs and information	6	–1	–5	–11	–11	–11	–11
International financial programs:							
Foreign military sales trust fund (net)	1,687	460	170	40	–420	–370	–120
Export-Import Bank—subsidy reestimates	–573	–1,975	....	....	....	....	....
Other international financial programs	–150	–359	–70	–85	–88	–94	–108
Total, International financial programs	964	–1,874	100	–45	–508	–464	–228
Total, Mandatory	–814	–4,011	–1,562	–1,596	–1,980	–1,870	–1,584
Total, International affairs	22,645	18,640	22,305	22,792	22,938	23,598	24,447
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,849	4,354	4,409	4,507	4,607	4,711	4,816
Department of Energy general science programs	2,813	3,179	3,160	3,230	3,303	3,376	3,451
Total, General science and basic research	6,662	7,533	7,569	7,737	7,910	8,087	8,267
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,964	5,668	6,302	7,249	7,961	8,358	8,701
Human space flight	5,488	5,451	7,296	6,881	6,545	6,439	6,494
Mission support	2,069	2,191	....	....	....	....	....
Other NASA programs	20	23	24	25	25	26	26
Total, Space flight, research, and supporting activities	12,541	13,328	13,622	14,155	14,531	14,823	15,221
Total, Discretionary	19,203	20,861	21,191	21,892	22,441	22,910	23,488
Mandatory:							
General science and basic research:							
National Science Foundation donations	88	153	175	176	32	33	34

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Space flight, research, and supporting activities:							
National Space Grant Program	....	3	....	....	....	....	....
Total, Mandatory	88	156	175	176	32	33	34
Total, General science, space, and technology	19,291	21,017	21,366	22,068	22,473	22,943	23,522
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	905	1,214	1,039	978	1,000	1,023	1,045
Naval petroleum reserves operations	....	2	17	17	18	18	19
Uranium enrichment activities	307	....	....	....	....	....	....
Decontamination transfer	–420	–419	–420	–442	–454	–466	–478
Nuclear waste program	236	191	135	138	141	144	147
Federal power marketing	231	180	179	189	193	198	203
Elk Hills school lands fund	....	36	36	37	38	38	39
Rural electric and telephone discretionary loans	44	67	29	30	31	31	32
Non-defense environmental management and other	282	666	584	605	618	633	646
Proposed Legislation (non-PAYGO)	....	....	....	....	150	170	200
Subtotal, Non-defense environmental management and other	282	666	584	605	768	803	846
Total, Energy supply	1,585	1,937	1,599	1,552	1,735	1,789	1,853
Energy conservation and preparedness:							
Energy conservation	737	815	795	923	948	972	997
Emergency energy preparedness	158	149	169	173	177	181	185
Total, Energy conservation and preparedness	895	964	964	1,096	1,125	1,153	1,182
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	24	34	44	56	67	80	83
Federal Energy Regulatory Commission fees and recoveries, and other	–18	–25	–26	–27	–27	–28	–29
Department of Energy departmental administration, OIG, and EIA administration	220	185	192	192	200	205	210
Total, Energy information, policy, and regulation	226	194	210	221	240	257	264
Total, Discretionary	2,706	3,095	2,773	2,869	3,100	3,199	3,299

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–10	–8	–8				
Federal power marketing	–729	–840	–692	–715	–801	–769	–799
Tennessee Valley Authority	–446	–550	–282	–473	–976	–1,032	–1,100
United States Enrichment Corporation	–5						
Nuclear waste fund program	–702	–620	–640	–625	–612	–637	–621
Elk Hills school lands fund			36				
Research and development	5						
Rural electric and telephone liquidating accounts	–2,000	–1,768	–1,589	–1,284	–1,260	–1,127	–997
Rural electric and telephone loan subsidy reestimates		–161					
Total, Energy supply	–3,887	–3,947	–3,175	–3,097	–3,649	–3,565	–3,517
Energy information, policy, and regulation:							
Miscellaneous revenues, departmental administration	–3						
Total, Mandatory	–3,890	–3,947	–3,175	–3,097	–3,649	–3,565	–3,517
Total, Energy	–1,184	–852	–402	–228	–549	–366	–218
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	3,936	4,374	3,731	3,815	3,900	3,986	4,076
Bureau of Reclamation	768	776	783	799	816	836	856
Watershed, flood prevention, and other	217	265	145	149	162	150	158
Total, Water resources	4,921	5,415	4,659	4,763	4,878	4,972	5,090
Conservation and land management:							
Forest Service	3,032	4,243	3,600	3,681	3,761	3,845	3,932
Management of public lands (BLM)	1,301	1,916	1,589	1,628	1,663	1,700	1,738
Recreation fee (Proposed Legislation non-PAYGO)				–5	–5	–6	–6
Conservation of agricultural lands	701	760	816	834	853	872	891
Proposed Legislation (non-PAYGO)			–89				
Subtotal, Conservation of agricultural lands	701	760	727	834	853	872	891
Other conservation and land management programs	582	810	583	597	612	624	639
Total, Conservation and land management	5,616	7,729	6,499	6,735	6,884	7,035	7,194
Recreational resources:							
Operation of recreational resources	2,829	3,389	3,604	3,737	3,804	3,870	3,939

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Recreation fee (Proposed Legislation non-PAYGO)	....	....	....	–76	–76	–76	–77
Other recreational resources activities	201	184	153	155	154	155	155
Total, Recreational resources	3,030	3,573	3,757	3,816	3,882	3,949	4,017
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,680	2,877	2,714	2,773	2,837	2,899	2,964
State and tribal assistance grants	3,448	3,621	3,289	3,333	3,379	2,925	2,172
Hazardous substance superfund	1,400	1,267	1,268	1,296	1,326	1,355	1,385
Other control and abatement activities	144	145	145	148	151	155	159
Proposed Legislation (non-PAYGO)	....	....	–4	–8	–8	–8	–8
Total, Pollution control and abatement	7,672	7,910	7,412	7,542	7,685	7,326	6,672
Other natural resources:							
NOAA	2,459	3,043	3,124	3,193	3,265	3,333	3,407
Other natural resource program activities	948	1,017	950	971	993	1,015	1,038
Total, Other natural resources	3,407	4,060	4,074	4,164	4,258	4,348	4,445
Total, Discretionary	24,646	28,687	26,401	27,020	27,587	27,630	27,418
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–118	–173	–83	–81	–117	–134	–143
Proposed Legislation (PAYGO)	....	....	10	15	20	25	25
Total, Water resources	–118	–173	–73	–66	–97	–109	–118
Conservation and land management:							
Conservation Reserve Program and other	1,848	2,104	2,050	2,022	2,112	2,124	2,115
Other conservation programs	349	516	519	507	509	511	509
Recreation fee (Proposed Legislation PAYGO)	....	....	....	8	8	8	8
Offsetting receipts	–2,075	–3,001	–2,791	–2,784	–2,798	–2,816	–2,796
Recreation fee (Proposed Legislation PAYGO)	....	....	....	5	5	6	6
Total, Conservation and land management	122	–381	–222	–242	–164	–167	–158
Recreational resources:							
Operation of recreational resources	932	990	1,004	902	923	948	969
Recreation fee (Proposed Legislation PAYGO)	....	....	....	188	191	194	197

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Offsetting receipts	–359	–458	–374	–309	–312	–313	–315
Proposed Legislation (PAYGO)				76	76	77	77
Subtotal, Offsetting receipts	–359	–458	–374	–233	–236	–236	–238
Recreation fee (Proposed Legislation PAYGO)			–10	–209	–217	–224	–227
Total, Recreational resources	573	532	620	648	661	682	701
Pollution control and abatement:							
Superfund resources and other mandatory	–182	–148	–127	–127	–127	–127	–127
Other natural resources:							
Fees and mandatory programs	–10	3	4	5	4	5	5
Total, Mandatory	385	–167	202	218	277	284	303
Total, Natural resources and environment	25,031	28,520	26,603	27,238	27,864	27,914	27,721
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	475	389	466	476	487	498	509
P.L.480 market development activities	104	135	136	139	142	145	149
Administrative expenses	947	951	1,024	1,047	1,069	1,093	1,118
Total, Farm income stabilization	1,526	1,475	1,626	1,662	1,698	1,736	1,776
Agricultural research and services:							
Research and education programs	1,375	1,484	1,362	1,392	1,423	1,455	1,487
Discretionary changes to mandatory research programs			–180	180			
Integrated research, education, and extension programs	40	42	42	43	44	45	46
Extension programs	424	432	413	422	432	441	451
Marketing programs	53	66	72	74	75	77	79
Animal and plant inspection programs	660	866	727	658	673	687	703
Proposed Legislation (non-PAYGO)			–5	–5	–5	–5	–5
Subtotal, Animal and plant inspection programs	660	866	722	653	668	682	698
Economic intelligence	163	167	181	203	188	187	193

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Grain inspection and packers program	26	32	33	34	34	35	36
Proposed Legislation (non-PAYGO)			–4	–4	–4	–4	–4
Subtotal, Grain inspection and packers program	26	32	29	30	30	31	32
Foreign agricultural service	125	115	122	125	128	130	133
Other programs and unallocated overhead	333	432	444	458	466	480	488
Total, Agricultural research and services	3,199	3,636	3,207	3,580	3,454	3,528	3,607
Total, Discretionary	4,725	5,111	4,833	5,242	5,152	5,264	5,383
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	28,534	21,565	8,309	6,035	5,933	5,963	6,057
Crop insurance and other farm credit activities	1,033	3,070	3,046	3,213	3,376	3,532	3,732
Credit liquidating accounts (ACIF and FAC)	–866	–851	–811	–772	–741	–708	–676
Total, Farm income stabilization	28,701	23,784	10,544	8,476	8,568	8,787	9,113
Agricultural research and services:							
Miscellaneous mandatory programs	441	590	625	637	575	582	588
Offsetting receipts	–160	–200	–162	–160	–160	–158	–158
Total, Agricultural research and services	281	390	463	477	415	424	430
Total, Mandatory	28,982	24,174	11,007	8,953	8,983	9,211	9,543
Total, Agriculture	33,707	29,285	15,840	14,195	14,135	14,475	14,926
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,142	–1,261	–1,629	–1,892	–2,078	–2,160	–2,071
Government National Mortgage Association (GNMA)	–303	–347	–345	–350	–351	–351	–352
Other housing and urban development	–56	–97	–239	–239	–238	–239	–238
Rural housing insurance fund	585	662	664	678	693	710	726
Total, Mortgage credit	–916	–1,043	–1,549	–1,803	–1,974	–2,040	–1,935
Postal service:							
Payments to the Postal Service fund (On-budget)	100	93	77	79	80	82	84
Deposit insurance:							
National credit union administration	1	1	1	1	1	1	1

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other advancement of commerce:							
Small and minority business assistance	602	715	492	503	514	526	538
Science and technology	653	616	509	519	532	544	556
Economic and demographic statistics	4,798	482	607	946	772	785	817
Regulatory agencies	–379	–465	–496	–551	–562	–667	–789
International Trade Administration	320	333	330	337	345	353	360
Patent and trademark salaries and expenses	–120	–113	–207	–181	–177	–167	–186
Other discretionary	56	68	–50	75	80	79	84
Total, Other advancement of commerce	5,930	1,636	1,185	1,648	1,504	1,453	1,380
Total, Discretionary	5,115	687	–286	–75	–389	–504	–470
Mandatory:							
Mortgage credit:							
FHA General and special risk negative subsidies	....	–304	–200	–42	–99	–17	–15
FHA mutual mortgage insurance receipts (intragovernmental)	....	–4,027	....	–81	–251	–430	–610
GNMA receipts (intragovernmental)	....	–6,610	–439	–405	–429	–453	–479
Indian housing loan guarantee receipts	....	–6	....	....	....	....	....
Mortgage credit reestimates	....	4,073	....	....	....	....	....
FHA general and special risk insurance liquidating account	1,306	1,138	1,950	2,210	1,436	1,150	784
Other credit liquidating accounts	610	495	860	–1,526	–1,427	–1,512	–1,628
Other mortgage credit activities	....	274	....	....	....	....	....
Total, Mortgage credit	1,916	–4,967	2,171	156	–770	–1,262	–1,948
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	....	....	67	....	....	....	....
Postal Service (Off-budget)	3,712	4,840	2,519	1,944	916	879	1,006
Total, Postal service	3,712	4,840	2,586	1,944	916	879	1,006
Deposit insurance:							
Bank Insurance Fund	–25	–26	–26	–26	–26	–27	–27
Proposed Legislation (non-PAYGO)	....	....	–5	–11	–18	–24	–31
Proposed Legislation (PAYGO)	....	....	–92	–97	–101	–106	–112
Subtotal, Bank Insurance Fund	–25	–26	–123	–134	–145	–157	–170
FSLIC Resolution Fund	–4	–4	–4	–4	–4	–4	–4
Savings Association Insurance Fund	–4	–4	–4	–4	–3	–4	–4

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other deposit insurance activities	34	34	34	36	37	38	39
Total, Deposit insurance	1	....	–97	–106	–115	–127	–139
Other advancement of commerce:							
Universal service fund	4,547	5,599	5,638	6,171	6,730	7,309	7,906
Payments to copyright owners	214	230	239	253	265	229	186
Spectrum auction subsidy	....	–12,219	8	8	8	8	8
Regulatory fees	–26	–26	–26	–26	–26	–26	–26
Credit liquidating accounts	4	5	2	1	1	1	1
Business loan program, subsidy reestimate	–284	–722	....	....	....	....	....
Other mandatory	233	104	94	94	94	94	94
Proposed Legislation (PAYGO)	....	....	2	....	....	....	....
Subtotal, Other mandatory	233	104	96	94	94	94	94
Total, Other advancement of commerce	4,688	–7,029	5,957	6,501	7,072	7,615	8,169
Total, Mandatory	10,317	–7,156	10,617	8,495	7,103	7,105	7,088
Total, Commerce and housing credit	15,432	–6,469	10,331	8,420	6,714	6,601	6,618
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	2	2,759	....	....	....	....	....
Highway safety	88	119	124	127	130	132	135
Mass transit	1,166	1,255	1,348	1,444	1,476	1,508	1,542
Railroads	739	753	705	721	736	754	770
Proposed Legislation (non-PAYGO)	....	....	–55	–110	–113	–116	–119
Subtotal, Railroads	739	753	650	611	623	638	651
Regulation	16	17	18	18	19	19	20
Total, Ground transportation	2,011	4,903	2,140	2,200	2,248	2,297	2,348
Air transportation:							
Airports and airways (FAA)	8,147	9,369	9,661	10,534	10,768	11,009	11,255
Aeronautical research and technology	1,060	926	890	831	852	836	852
Total, Air transportation	9,207	10,295	10,551	11,365	11,620	11,845	12,107
Water transportation:							
Marine safety and transportation	3,609	3,327	3,773	3,856	3,944	4,031	4,121
Ocean shipping	110	142	132	134	138	141	143
Total, Water transportation	3,719	3,469	3,905	3,990	4,082	4,172	4,264

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other transportation:							
Department of Transportation administration and other	235	245	252	257	262	267	275
Proposed Legislation (non-PAYGO)	....	....	–12	–22	–22	–23	–24
Total, Other transportation	235	245	240	235	240	244	251
Total, Discretionary	15,172	18,912	16,836	17,790	18,190	18,558	18,970
Mandatory:							
Ground transportation:							
Highways	30,002	33,584	35,354	31,474	32,349	33,228	34,182
Highway safety	460	553	685	581	597	612	628
Mass transit	6,285	5,017	5,398	5,781	5,947	6,113	6,293
Offsetting receipts and credit subsidy reestimates	–99	–33	–33	–33	–33	–33	–33
Credit liquidating accounts	–50	–29	–29	–29	–29	–29	–24
Total, Ground transportation	36,598	39,092	41,375	37,774	38,831	39,891	41,046
Air transportation:							
Airports and airways (FAA)	2,799	2,607	3,300	3,400	3,488	3,579	3,672
Payments to air carriers	....	50	40	40	40	40	40
Total, Air transportation	2,799	2,657	3,340	3,440	3,528	3,619	3,712
Water transportation:							
Coast Guard retired pay	730	778	876	955	990	1,029	1,069
Other water transportation programs	78	51	17	–8	–11	–13	–15
Total, Water transportation	808	829	893	947	979	1,016	1,054
Other transportation:							
Sale of Governors Island	....	....	–340	....	....	....	....
Other mandatory transportation programs	–1	–1	–1	–1	–1	–1	–1
Total, Other transportation	–1	–1	–341	–1	–1	–1	–1
Total, Mandatory	40,204	42,577	45,267	42,160	43,337	44,525	45,811
Total, Transportation	55,376	61,489	62,103	59,950	61,527	63,083	64,781
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	4,809	5,113	4,702	4,807	4,914	5,024	5,136
Proposed Legislation (non-PAYGO)	....	....	100	102	105	106	109
Subtotal, Community development block grant	4,809	5,113	4,802	4,909	5,019	5,130	5,245
Community development loan guarantees	30	30	15	15	16	16	16

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Community adjustment and investment program	8	....	1	1	1	1	1
Community development financial institutions	115	118	68	70	71	73	74
Brownfields redevelopment	25	25	25	26	26	27	27
Other community development programs	410	570	546	557	571	582	597
Total, Community development	5,397	5,856	5,457	5,578	5,704	5,829	5,960
Area and regional development:							
Rural development	895	1,191	841	980	942	961	980
Economic Development Administration	451	449	366	374	382	391	400
Indian programs	1,211	1,415	1,461	1,486	1,514	1,540	1,568
Appalachian Regional Commission	66	77	66	67	69	71	72
Denali Commission	25	41	41	42	42	44	45
Delta Regional Authority	....	20	20	20	21	21	22
Total, Area and regional development	2,648	3,193	2,795	2,969	2,970	3,028	3,087
Disaster relief and insurance:							
Disaster relief	2,765	1,593	1,366	1,396	1,428	1,459	1,492
Small Business Administration disaster loans	317	184	75	77	78	80	82
Disaster loan program, negative subsidies	....	–595	....	....	....	....	....
Other disaster assistance programs	1,083	734	657	673	684	699	711
Total, Disaster relief and insurance	4,165	1,916	2,098	2,146	2,190	2,238	2,285
Total, Discretionary	12,210	10,965	10,350	10,693	10,864	11,095	11,332
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	1	....	....	....	....	....	....
Credit liquidating accounts	–3	–4	–4	....	....	....	....
Total, Community development	–2	–4	–4	....	....	....	....
Area and regional development:							
Indian programs	152	161	168	173	180	186	192
Rural development programs	49	163	81	36	36	36	36
Credit liquidating accounts	121	48	–62	–193	–252	–297	–290
Offsetting receipts	–134	–317	–151	–156	–164	–169	–172
Total, Area and regional development	188	55	36	–140	–200	–244	–234
Disaster relief and insurance:							
National flood insurance fund	–671	–256	–287	–183	–192	–199	–207

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Radiological emergency preparedness fees	–1						
Disaster loans program account	68	45					
SBA disaster loan subsidy reestimates	–516	–384					
Disaster assistance, downward reestimates		–10					
Credit liquidating accounts	–9	–44					
Total, Disaster relief and insurance	–1,129	–649	–287	–183	–192	–199	–207
Total, Mandatory	–943	–598	–255	–323	–392	–443	–441
Total, Community and regional development	11,267	10,367	10,095	10,370	10,472	10,652	10,891
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	8,701	8,979	11,011	11,257	11,507	11,764	12,027
Impact aid	906	993	1,130	1,155	1,181	1,208	1,234
School improvement	1,492	4,619	6,389	6,531	6,677	6,826	6,978
Education reform	1,765	1,881					
Bilingual and immigrant education	406	460	460	470	481	491	502
Special education	2,294	6,110	8,426	8,614	8,806	9,002	9,203
Vocational and adult education	891	1,826	1,802	1,842	1,883	1,925	1,968
Reading excellence	65	286					
Indian education	606	712	732	746	763	780	797
Other	10	12	12	12	13	13	13
Total, Elementary, secondary, and vocational education	17,136	25,878	29,962	30,627	31,311	32,009	32,722
Higher education:							
Student financial assistance	9,375	10,674	11,674	11,934	12,343	12,618	12,900
Higher education	1,530	1,912	1,723	1,757	2,076	2,159	2,207
Federal family education loan program	48	48	50	51	52	53	55
Other higher education programs	375	391	398	406	415	424	433
Total, Higher education	11,328	13,025	13,845	14,148	14,886	15,254	15,595
Research and general education aids:							
Library of Congress	315	429	352	357	365	374	383
Public broadcasting	342	403	413	429	441	450	461
Smithsonian institution and related agencies	546	577	616	624	640	652	666
Education research, statistics, and improvement	591	722	382	390	399	408	417

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other	813	925	868	888	906	926	947
Total, Research and general education aids	2,607	3,056	2,631	2,688	2,751	2,810	2,874
Training and employment:							
Training and employment services	2,990	5,670	5,129	5,485	5,607	5,732	5,860
Older Americans employment	440	440	440	450	460	470	481
Federal-State employment service	1,252	1,319	1,305	1,335	1,363	1,394	1,426
Other employment and training	101	110	113	116	118	120	123
Total, Training and employment	4,783	7,539	6,987	7,386	7,548	7,716	7,890
Other labor services:							
Labor law, statistics, and other administration	1,242	1,444	1,468	1,498	1,533	1,570	1,604
Social services:							
Corporation for National and Community Service	433	457	411	420	430	439	449
National Service	219	279	322	269	331	364	395
Children and families services programs	5,327	7,956	8,117	8,307	8,502	8,703	8,909
Proposed Legislation (non-PAYGO)	....	....	64	65	67	68	70
Subtotal, Children and families services programs	5,327	7,956	8,181	8,372	8,569	8,771	8,979
Aging services program	933	1,103	1,098	1,122	1,148	1,173	1,199
Other	370	409	519	530	542	555	566
Total, Social services	7,282	10,204	10,531	10,713	11,020	11,302	11,588
Total, Discretionary	44,378	61,146	65,424	67,060	69,049	70,661	72,273
Mandatory:							
Elementary, secondary, and vocational education:							
Advance appropriations—Education for the disadvantaged	....	....	6,758	....	....	....	....
Advance appropriations—School improvement programs	....	....	1,765	....	....	....	....
Advance appropriations—Special education	....	....	5,072	....	....	....	....
Advance appropriations—Vocational and adult education	....	....	791	....	....	....	....
Advance appropriations—Reading excellence	....	....	195	....	....	....	....
Total, Elementary, secondary, and vocational education	....	....	14,581	....	....	....	....

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Higher education:							
Federal family education loan program	4,576	–876	4,218	3,701	3,027	3,177	3,332
Proposed Legislation (PAYGO)			8	4	4	4	4
Subtotal, Federal family education loan program	4,576	–876	4,226	3,705	3,031	3,181	3,336
Federal direct loan program	–2,776	–392	–636	–484	–66	–98	–194
Proposed Legislation (PAYGO)			4	2	2	2	2
Subtotal, Federal direct loan program	–2,776	–392	–632	–482	–64	–96	–192
Other higher education programs	–62	–35	–97	–50	–66	–27	132
Credit liquidating account (Family education loan program)	–1,188	–742	–604	–466	–340	–239	–167
Total, Higher education	550	–2,045	2,893	2,707	2,561	2,819	3,109
Research and general education aids:							
Mandatory programs	29	92	36	30	27	26	21
Training and employment:							
Trade adjustment assistance	132	132					
Proposed Legislation (non-PAYGO)			132	132	132	132	132
Subtotal, Trade adjustment assistance	132	132	132	132	132	132	132
Welfare to work grants	–137	–50					
Advance appropriations and other mandatory training and employment services	76	180	2,676	213			
Total, Training and employment	71	262	2,808	345	132	132	132
Other labor services:							
Other labor services	8	13	16	16			
Social services:							
Payments to States for foster care and adoption assistance	5,697	6,401	6,622	7,015	7,483	8,108	8,775
Education and training for older foster children (Proposed Legislation PAYGO)			60	60	60	60	60
Promoting safe and stable families	295	305	305	305	305	305	305
Proposed Legislation (PAYGO)			200	200	200	200	200
Subtotal, Promoting safe and stable families	295	305	505	505	505	505	505

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Advance appropriations—Children and families services programs	....	....	1,400	....	....	....	....
Social services block grant	1,775	1,725	1,700	1,700	1,700	1,700	1,700
Rehabilitation services	2,339	2,400	2,481	2,541	2,607	2,675	2,742
Other social services	24	25	20	13	9	6	4
Total, Social services	10,130	10,856	12,788	11,834	12,364	13,054	13,786
Total, Mandatory	10,788	9,178	33,122	14,932	15,084	16,031	17,048
Total, Education, training, employment, and social services	55,166	70,324	98,546	81,992	84,133	86,692	89,321
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,651	2,957	3,029	3,181	3,337	3,468	3,599
Indian health	2,391	2,629	2,707	2,767	2,829	2,892	2,957
Health Resources and Services Administration	4,162	4,991	4,682	4,830	5,055	5,313	5,572
Disease control, research, and training	2,728	3,571	3,611	3,692	3,774	3,858	3,944
Departmental management and other	1,017	802	585	598	611	623	636
Total, Health care services	12,949	14,950	14,614	15,068	15,606	16,154	16,708
Health research and training:							
National Institutes of Health	17,800	20,361	23,112	27,244	27,852	28,473	29,108
Clinical training	345	593	345	353	360	368	376
Other health research and training	359	400	268	274	280	286	293
Total, Health research and training	18,504	21,354	23,725	27,871	28,492	29,127	29,777
Consumer and occupational health and safety:							
Food safety and inspection	649	695	716	732	748	765	782
Occupational safety and health	623	686	688	702	718	735	752
FDA and Consumer Product Safety Commission salaries and expenses	1,098	1,173	1,265	1,290	1,318	1,349	1,378
Total, Consumer and occupational health and safety	2,370	2,554	2,669	2,724	2,784	2,849	2,912
Total, Discretionary	33,823	38,858	41,008	45,663	46,882	48,130	49,397
Mandatory:							
Health care services:							
Medicaid grants	117,744	128,853	143,029	153,786	167,410	182,381	198,256
Proposed Legislation (PAYGO)	....	....	–606	–1,071	–1,450	–1,844	–1,906
Subtotal, Medicaid grants	117,744	128,853	142,423	152,715	165,960	180,537	196,350

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
State children's health insurance fund	4,259	4,249	3,115	3,175	3,175	4,082	4,082
Health care tax credit—refundable portion (Proposed Legislation PAYGO)	....	....	81	1,914	1,221	1,909	2,027
Immediate helping hand prescription drug plan (Proposed Legislation PAYGO)	....	2,500	11,200	12,900	14,800	4,200	....
Federal employees' and retired employees' health benefits	5,027	5,549	6,079	6,623	7,224	7,886	8,601
DoD Medicare-eligible retiree health care fund	....	....	....	6,117	6,385	6,665	6,958
UMWA Funds (coal miner retiree health)	196	252	235	187	178	171	164
Ricky Ray hemophilia relief fund	....	580	....	....	....	....	....
Other mandatory health services activities	391	587	605	573	495	517	536
Total, Health care services	127,617	142,570	163,738	184,204	199,438	205,967	218,718
Health research and safety:							
Health research and training	59	–20	107	109	7	5	4
Total, Mandatory	127,676	142,550	163,845	184,313	199,445	205,972	218,722
Total, Health	161,499	181,408	204,853	229,976	246,327	254,102	268,119
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,222	1,504	1,547	1,581	1,617	1,653	1,689
Proposed Legislation (non-PAYGO)	....	....	–20	–20	–20	–20	–20
Subtotal, Hospital insurance (HI) administrative expenses	1,222	1,504	1,527	1,561	1,597	1,633	1,669
Supplementary medical insurance (SMI) administrative expenses	1,776	1,848	2,034	2,083	2,129	2,176	2,226
Proposed Legislation (non-PAYGO)	....	....	–95	–95	–95	–95	–95
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,776	1,848	1,939	1,988	2,034	2,081	2,131
Total, Discretionary	2,998	3,352	3,466	3,549	3,631	3,714	3,800
Mandatory:							
Medicare:							
Hospital insurance (HI)	129,008	141,018	145,660	151,639	158,299	169,809	175,332
Supplementary medical insurance (SMI)	87,349	99,379	107,821	117,046	125,132	136,079	142,268
Medicare modernization (Proposed Legislation PAYGO)	....	....	....	....	....	8,300	12,800
HI premiums and collections	–1,392	–1,397	–1,488	–1,551	–1,643	–1,744	–1,855
SMI premiums and collections	–20,515	–22,036	–25,546	–28,345	–29,851	–33,276	–36,087

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Quinquennial adjustment (HI)	....	–1,332	....	....	....	....	....
HI interfunds	–9,512	–8,110	–8,581	–8,890	–9,461	–9,981	–10,620
SMI interfunds	–65,561	–69,788	–81,347	–88,783	–92,549	–102,042	–110,380
Proposed Legislation (non-PAYGO)	....	....	70	75	70	70	70
Subtotal, SMI interfunds	–65,561	–69,788	–81,277	–88,708	–92,479	–101,972	–110,310
General fund payment to HI and SMI trust funds	78,213	77,874	90,002	97,967	102,469	112,683	121,819
Proposed Legislation (non-PAYGO)	....	....	–176	–379	–531	–732	–891
Subtotal, General fund payment to HI and SMI trust funds	78,213	77,874	89,826	97,588	101,938	111,951	120,928
Total, Mandatory	197,590	215,608	226,415	238,779	251,935	279,166	292,456
Total, Medicare	200,588	218,960	229,881	242,328	255,566	282,880	296,256
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	269	261	250	255	261	267	273
Pension Benefit Guaranty Corporation	11	12	12	12	12	12	12
Pension and Welfare Benefits Administration and other	101	110	110	112	115	117	120
Total, General retirement and disability insurance	381	383	372	379	388	396	405
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	85	92	105	107	109	112	114
Federal workers' compensation benefits	....	....	–80	–80	–82	–85	–87
Armed forces retirement home	70	70	71	72	74	76	78
Total, Federal employee retirement and disability	155	162	96	99	101	103	105
Unemployment compensation:							
Unemployment programs administrative expenses	2,270	2,369	2,419	2,473	2,528	2,584	2,642
Housing assistance:							
Public housing operating fund	3,138	3,235	3,385	3,460	3,537	3,617	3,697
Public housing capital fund	2,884	2,993	2,293	2,343	2,396	2,450	2,504
Subsidized, public, homeless and other HUD housing	11,313	18,203	21,534	23,316	24,397	25,529	26,302
Rural housing assistance	742	787	795	842	920	940	940
Total, Housing assistance	18,077	25,218	28,007	29,961	31,250	32,536	33,443

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	4,032	4,043	4,137	4,229	4,324	4,420	4,519
Other nutrition programs	517	581	579	591	605	619	632
Total, Food and nutrition assistance	4,549	4,624	4,716	4,820	4,929	5,039	5,151
Other income assistance:							
Refugee assistance	498	445	445	455	465	475	486
Low income home energy assistance	2,000	1,700	1,700	1,707	1,745	1,784	1,824
Child care and development block grant	1,183	2,000	2,200	2,249	2,299	2,350	2,403
Supplemental security income (SSI) administrative expenses	2,440	2,582	2,850	2,914	2,978	3,046	3,112
Total, Other income assistance	6,121	6,727	7,195	7,325	7,487	7,655	7,825
Total, Discretionary	31,553	39,483	42,805	45,057	46,683	48,313	49,571
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,437	5,119	4,646	4,764	4,915	5,069	5,429
Special benefits for disabled coal miners	996	953	893	857	815	773	732
Pension Benefit Guaranty Corporation	–11	–12	–12	–13	–13	–13	–14
District of Columbia pension funds	–33	213	227	239	250	262	273
Proceeds from sale of DC retirement fund assets	–3	....	....	....	....	....	....
Special workers' compensation program	147	151	149	154	154	154	154
Total, General retirement and disability insurance	5,533	6,424	5,903	6,001	6,121	6,245	6,574
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	45,838	48,172	50,383	52,804	55,172	57,632	60,127
Military retirement	32,912	34,332	35,377	36,393	37,421	38,430	39,480
Federal employees workers' compensation (FECA)	80	60	125	151	156	165	180
Federal employees life insurance fund	25	30	31	31	32	33	34
Total, Federal employee retirement and disability	78,855	82,594	85,916	89,379	92,781	96,260	99,821
Unemployment compensation:							
Unemployment insurance programs	20,470	25,165	28,046	28,744	30,550	32,197	33,970

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Trade adjustment assistance	283	275	11	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	273	280	294	306	320
Subtotal, Trade adjustment assistance	283	275	284	280	294	306	320
Total, Unemployment compensation	20,753	25,440	28,330	29,024	30,844	32,503	34,290
Housing assistance:							
Advance appropriations—Housing certificate fund	....	....	4,200	....	....	....	....
Mandatory housing assistance programs	35	40	40	40	40	40	40
Total, Housing assistance	35	40	4,240	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	21,067	20,097	21,976	22,878	23,590	24,511	25,402
State child nutrition programs	9,579	9,610	10,083	11,028	11,591	12,103	12,646
Funds for strengthening markets, income, and supply (Sec.32)	730	737	709	709	709	709	709
Total, Food and nutrition assistance	31,376	30,444	32,768	34,615	35,890	37,323	38,757
Other income support:							
Supplemental security income (SSI)	31,028	30,561	29,090	32,873	34,302	38,372	37,303
Family support payments	1,010	3,321	3,448	3,801	4,166	4,451	4,686
Federal share of child support collections	–913	–896	–878	–887	–899	–927	–972
Temporary assistance for needy families and related programs	16,689	16,689	16,679	16,679	17,679	16,679	16,679
Child care entitlement to states	2,367	2,567	2,717	2,717	2,717	2,717	2,717
Earned income tax credit (EITC)	26,099	25,923	26,983	27,875	28,545	29,373	30,165
Child tax credit	809	790	760	720	660	630	590
Proposed Legislation (PAYGO)	....	....	....	215	453	710	960
Subtotal, Child tax credit	809	790	760	935	1,113	1,340	1,550
Other assistance	39	40	62	56	56	57	57
SSI recoveries and receipts	–1,637	–1,561	–1,730	–1,801	–1,894	–2,100	–2,041
Total, Other income support	75,491	77,434	77,131	82,248	85,785	89,962	90,144
Total, Mandatory	212,043	222,376	234,288	241,307	251,461	262,333	269,626
Total, Income security	243,596	261,859	277,093	286,364	298,144	310,646	319,197

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,782	1,898	1,895	1,937	1,981	2,024	2,070
Disability insurance (DI) administrative expenses (Off-budget)	1,413	1,532	1,606	1,641	1,679	1,715	1,754
Office of the Inspector General—Social Security Adm. (On-budget)	15	17	19	19	20	20	21
Total, Discretionary	3,210	3,447	3,520	3,597	3,680	3,759	3,845
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	353,608	373,192	389,494	406,673	425,044	444,709	466,069
Disability insurance (DI)(Off-budget)	55,219	59,546	63,416	68,797	75,045	81,865	89,360
Quinquennial OASI and DI adjustments (On-budget)		–836					
Intragovernmental transactions (On-budget)	13,262	12,541	14,148	14,876	16,076	17,230	18,428
Impact of tax cut (On-budget) (Proposed Legislation non-PAYGO)			–140	–418	–645	–921	–1,169
Intragovernmental transactions (Off-budget)	–13,252	–12,541	–13,734	–14,876	–16,076	–17,230	–18,428
Impact of tax cut (Off-budget) (Proposed Legislation non-PAYGO)			140	418	645	921	1,169
Total, Mandatory	408,837	431,902	453,324	475,470	500,089	526,574	555,429
Total, Social security	412,047	435,349	456,844	479,067	503,769	530,333	559,274
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	3	2	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1					
Veterans employment and training		25	25	25	26	26	28
Total, Veterans education, training, and rehabilitation	1	26	25	25	26	26	28
Hospital and medical care for veterans:							
Medical care and hospital services	19,843	21,222	22,028	22,520	23,021	23,535	24,059
Collections for medical care	–573	–608	–620	–630	–640	–650	–660

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Construction for medical care, benefits, and cemeteries	315	339	416	425	434	444	455
Total, Hospital and medical care for veterans	19,585	20,953	21,824	22,315	22,815	23,329	23,854
Veterans housing:							
Housing program loan administrative expenses	158	163	167	171	174	178	182
Proposed Legislation (non-PAYGO)	....	....	–1	–1	–1	–1	–1
Total, Veterans housing	158	163	166	170	173	177	181
Other veterans benefits and services:							
National Cemetery Administration	97	110	121	124	126	129	132
General operating expenses	941	1,080	1,195	1,221	1,249	1,277	1,306
Other operating expenses	119	129	136	139	142	145	148
Total, Other veterans benefits and services	1,157	1,319	1,452	1,484	1,517	1,551	1,586
Total, Discretionary	20,904	22,463	23,469	23,996	24,533	25,085	25,651
Mandatory:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	9	8	8	7	6	5
Compensation, Pensions and Burial benefits	21,568	23,355	24,944	26,435	27,875	29,205	30,431
Proposed Legislation (PAYGO)	....	....	....	–15	–43	–66	–91
Subtotal, Compensation, Pensions and Burial benefits	21,568	23,355	24,944	26,420	27,832	29,139	30,340
National service life insurance trust fund	1,236	1,282	1,314	1,320	1,317	1,297	1,281
All other insurance programs	36	37	53	57	67	69	80
Insurance program receipts	–202	–191	–180	–169	–157	–143	–129
Total, Income security for veterans	22,639	24,492	26,139	27,636	29,066	30,368	31,577
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,469	1,981	2,135	2,200	2,282	2,383	2,503
All-volunteer force educational assistance trust fund	–158	–296	–211	–221	–242	–269	–312
Total, Veterans education, training, and rehabilitation	1,311	1,685	1,924	1,979	2,040	2,114	2,191

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–1	–1	–1	–2	–2	–3	–3
Veterans housing:							
Housing program loan subsidies	1,548	351	203	235	238	243	245
Proposed Legislation (PAYGO)	....	....	–15	–38	–37	–41	–42
Subtotal, Housing program loan subsidies	1,548	351	188	197	201	202	203
Housing program loan reestimates	–1,064	–1,420	....	....	....	....	....
Housing program loan liquidating account	132	....	....	....	....	....	....
Total, Veterans housing	616	–1,069	188	197	201	202	203
Other veterans programs:							
National homes, Battle Monument contributions and other	45	97	47	39	39	40	41
Total, Mandatory	24,610	25,204	28,297	29,849	31,344	32,721	34,009
Total, Veterans benefits and services	45,514	47,667	51,766	53,845	55,877	57,806	59,660
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,467	4,600	4,960	5,071	5,184	5,299	5,417
Alcohol, tobacco, and firearms investigations (ATF)	564	771	804	822	840	859	878
Border enforcement activities (Customs and INS)	4,898	5,540	6,014	6,142	6,277	6,439	6,583
Equal Employment Opportunity Commission	281	303	310	317	324	331	339
Tax law, criminal investigations (IRS)	379	374	390	399	408	417	426
Other law enforcement activities	1,848	2,019	1,752	1,790	1,836	1,878	1,922
Total, Federal law enforcement activities	12,437	13,607	14,230	14,541	14,869	15,223	15,565
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,788	2,974	3,222	3,270	3,356	3,445	3,534
Representation of indigents in civil cases	304	329	329	336	344	352	359
Federal judicial and other litigative activities	3,804	4,131	4,761	4,717	4,833	4,948	5,070
Total, Federal litigative and judicial activities	6,896	7,434	8,312	8,323	8,533	8,745	8,963

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Correctional activities:							
Federal prison system and detention trustee program	3,670	4,307	4,667	4,690	4,829	4,971	5,082
Criminal justice assistance:							
Crime victims fund obligation limit	....	....	–1,008	708	300	....	....
Law enforcement assistance, community policing, and other justice programs	4,053	4,607	3,581	3,656	3,738	3,821	3,907
Total, Criminal justice assistance	4,053	4,607	2,573	4,364	4,038	3,821	3,907
Total, Discretionary	27,056	29,955	29,782	31,918	32,269	32,760	33,517
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	480	377	337	344	351	359	366
Border enforcement activities (Customs and INS)	1,568	2,061	2,412	2,354	2,241	2,249	2,286
INS fees	–1,483	–2,262	–2,240	–2,176	–1,686	–1,681	–1,676
Customs fees	–1,282	–1,303	–1,343	–1,395	–3	–3	–3
Other mandatory law enforcement programs	416	513	488	513	516	520	523
Total, Federal law enforcement activities	–301	–614	–346	–360	1,419	1,444	1,496
Federal litigative and judicial activities:							
Federal judicial officers salaries and expenses and other mandatory programs	468	491	538	521	535	551	565
Correctional activities:							
Mandatory programs	–3	–3	–3	–4	–4	–5	–5
Criminal justice assistance:							
Crime victims fund	–523	517	1,583	400	400	400	400
Public safety officers' benefits	33	33	33	34	35	35	36
Total, Criminal justice assistance	–490	550	1,616	434	435	435	436
Total, Mandatory	–326	424	1,805	591	2,385	2,425	2,492
Total, Administration of justice	26,730	30,379	31,587	32,509	34,654	35,185	36,009
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,133	2,188	2,558	2,547	2,602	2,662	2,721
Executive direction and management:							
Drug control programs	363	405	454	469	483	495	514
Executive Office of the President	272	300	316	323	328	334	343

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Presidential transition and former Presidents	2	10	4	4	4	4	4
Total, Executive direction and management	637	715	774	796	815	833	861
Central fiscal operations:							
Tax administration	7,839	8,469	9,032	9,233	9,440	9,650	9,865
Other fiscal operations	737	815	858	873	897	916	938
Total, Central fiscal operations	8,576	9,284	9,890	10,106	10,337	10,566	10,803
General property and records management:							
Real property activities	–211	281	307	309	314	323	330
Records management	222	311	253	258	264	270	276
Other general and records management	177	171	194	223	217	185	190
Total, General property and records management	188	763	754	790	795	778	796
Central personnel management:							
Discretionary central personnel management programs	161	170	178	182	185	191	194
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	343	334	178	182	186	190	194
Payments to States and counties from Federal land management activities	11	11	11	11	11	12	12
Payments in lieu of taxes	133	200	150	153	157	160	164
Total, General purpose fiscal assistance	487	545	339	346	354	362	370
Other general government:							
Discretionary programs	256	300	280	280	286	293	299
Total, Discretionary	12,438	13,965	14,773	15,047	15,374	15,685	16,044
Mandatory:							
Legislative functions:							
Congressional members compensation and other	104	120	111	110	109	109	109
Central fiscal operations:							
Federal financing bank	5	17	15	18	21	25	28
Other mandatory programs	–58	–88	–114	–111	–110	–109	–107
Total, Central fiscal operations	–53	–71	–99	–93	–89	–84	–79
General property and records management:							
Mandatory programs	21	22	22	22	23	24	18

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Offsetting receipts	–21	–67	–28	–32	–27	–26	–24
Total, General property and records management	....	–45	–6	–10	–4	–2	–6
General purpose fiscal assistance:							
Payments to States and counties	1,015	1,336	1,503	1,502	1,519	1,534	1,533
Tax revenues for Puerto Rico (Treasury, BATF)	387	411	347	331	331	331	331
Arctic National Wildlife Refuge—Payment to Alaska (Proposed Legislation PAYGO)	....	....	....	....	1,201	1	1
Other general purpose fiscal assistance	169	123	123	122	123	123	123
Total, General purpose fiscal assistance	1,571	1,870	1,973	1,955	3,174	1,989	1,988
Other general government:							
Territories	162	162	187	186	187	185	185
Treasury claims	1,831	1,175	1,000	1,000	1,000	1,000	1,000
Presidential election campaign fund	61	61	61	61	61	61	61
Other mandatory programs	–159	382	....	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	7	....	....	....	....
Subtotal, Other mandatory programs	–159	382	7	....	....	....	....
Total, Other general government	1,895	1,780	1,255	1,247	1,248	1,246	1,246
Deductions for offsetting receipts:							
Offsetting receipts	–2,478	–1,386	–1,393	–1,386	–1,386	–1,386	–1,386
Total, Mandatory	1,039	2,268	1,841	1,823	3,052	1,872	1,872
Total, General government	13,477	16,233	16,614	16,870	18,426	17,557	17,916
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest on Treasury debt securities (gross)	361,978	357,907	350,947	350,572	352,615	352,574	352,981
Proposed Legislation (non-PAYGO)	....	....	4	–55	–125	–208	–291
Total, Interest on Treasury debt securities (gross)	361,978	357,907	350,951	350,517	352,490	352,366	352,690
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–33,608	–35,108	–36,531	–37,946	–39,360	–40,467	–41,635

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Military retirement	–12,251	–12,413	–12,626	–12,850	–13,082	–13,323	–13,573
SMI interest	–3,160	–3,033	–2,733	–2,688	–2,628	–2,508	–2,573
HI interest	–10,470	–12,285	–13,749	–15,465	–17,601	–19,978	–22,579
Other on-budget trust funds	–9,624	–10,823	–10,678	–11,323	–12,024	–12,698	–13,274
Proposed Legislation (non-PAYGO)			1	76	162	261	359
Subtotal, Other on-budget trust funds	–9,624	–10,823	–10,677	–11,247	–11,862	–12,437	–12,915
Total, Interest received by on-budget trust funds	–69,113	–73,662	–76,316	–80,196	–84,533	–88,713	–93,275
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–59,796	–68,886	–76,086	–85,421	–95,855	–107,348	–120,111
Other interest:							
Interest on loans to Federal Financing Bank	–1,974	–2,035	–2,136	–1,830	–2,160	–2,387	–2,535
Interest on refunds of tax collections	2,684	2,791	2,913	3,025	3,143	3,221	3,297
Payment to the Resolution Funding Corporation	1,164	1,728	1,357	2,124	2,231	2,117	2,188
Interest paid to loan guarantee financing accounts	4,287	3,787	3,734	3,731	3,748	3,759	3,787
Interest received from direct loan financing accounts	–9,129	–10,279	–11,339	–12,013	–12,909	–13,668	–14,188
Interest on deposits in tax and loan accounts	–1,785	–1,455	–1,340	–1,340	–1,340	–1,340	–1,340
Interest received from Outer Continental Shelf escrow account, Interior	–1,352						
All other interest	–3,744	–3,526	–3,606	–3,352	–3,321	–3,327	–3,312
Total, Other interest	–9,849	–8,989	–10,417	–9,655	–10,608	–11,625	–12,103
Total, Net interest	223,220	206,370	188,132	175,245	161,494	144,680	127,201
920 Allowances:							
Discretionary:							
National emergency reserve			5,591	5,716	5,843	5,973	6,107
Adjustments to certain accounts			–270	–276	–282	–288	–295
Total, Allowances			5,321	5,440	5,561	5,685	5,812
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,630	–2,693	–2,809	–2,940	–3,079	–3,244	–3,381
Contributions to military retirement fund	–11,402	–11,369	–12,166	–12,622	–13,098	–13,567	–14,040
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,445	–6,768	–6,854	–6,975	–7,111	–7,249	–7,327

Table 22–1. Budget Authority By Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Employing agency contributions, DoD Retiree Health Care Fund	....	....	....	–2,943	–3,072	–3,211	–3,355
Other contributions to civil and foreign service retirement and disability fund	–9,737	–10,446	–10,813	–10,723	–11,316	–11,990	–12,699
Proposed Legislation (non-PAYGO)	....	....	....	–469	–482	–449	–415
Subtotal, Other contributions to civil and foreign service retirement and disability fund	–9,737	–10,446	–10,813	–11,192	–11,798	–12,439	–13,114
Total, Employer share, employee retirement (on-budget)	–30,214	–31,276	–32,642	–36,672	–38,158	–39,710	–41,217
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,637	–7,877	–8,917	–9,161	–9,868	–10,706	–11,443
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,580	–6,931	–5,884	–5,358	–5,185	–4,971	–4,836
Sale of major assets:							
Privatization of Elk Hills	....	....	....	–323	....	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–150	–1,572	–4,360	–9,665	–9,670	–1,275	–680
Proposed Legislation (PAYGO)	....	....	2,600	1,000	–5,100	–2,000	–4,000
Subtotal, Spectrum auction	–150	–1,572	–1,760	–8,665	–14,770	–3,275	–4,680
Analog spectrum lease fee (Proposed Legislation PAYGO)	....	....	–200	–200	–200	–200	–200
Arctic National Wildlife Refuge (Proposed Legislation PAYGO)	....	....	....	....	–2,402	–2	–2
Total, Other undistributed offsetting receipts	–150	–1,572	–1,960	–8,865	–17,372	–3,477	–4,882
Total, Undistributed offsetting receipts	–42,581	–47,656	–49,403	–60,379	–70,583	–58,864	–62,378
Total	1,824,957	1,893,513	2,004,551	2,041,930	2,101,762	2,187,802	2,251,024
On-budget	(1,489,908)	(1,541,809)	(1,644,218)	(1,669,978)	(1,718,251)	(1,790,973)	(1,839,578)
Off-budget	(335,049)	(351,704)	(360,333)	(371,952)	(383,511)	(396,829)	(411,446)

Note: The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations and is requesting sufficient appropriations in 2002 to cover normal funding, instead of requesting advance appropriations for 2003. This increases budget authority by $22.7 billion in 2002 only.

Table 22–2. Outlays by Function, Category, and Program

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
050 National defense:							
Discretionary:							
Department of Defense—Military:							
Military personnel	75,950	72,089	79,310				
Operation and maintenance	105,253	110,199	113,030				
Procurement	51,696	52,734	56,131				
Research, development, test and evaluation	37,606	37,962	42,656				
Military construction	5,109	5,198	4,792				
Family housing	3,413	3,683	3,815				
Revolving, management, and trust funds and other	2,875	3,084	4,766				
Total, Department of Defense—Military	281,902	284,949	304,500	307,192	318,262	332,084	338,807
Atomic energy defense activities:							
Department of Energy	12,031	13,206	13,442	13,609	13,882	14,210	14,422
Formerly utilized sites remedial action	113	149	140	142	145	149	152
Defense nuclear facilities safety board	17	18	18	20	20	20	20
Total, Atomic energy defense activities	12,161	13,373	13,600	13,771	14,047	14,379	14,594
Defense-related activities:							
Discretionary programs	901	1,259	1,125	1,146	1,152	1,171	1,199
Proposed Legislation (non-PAYGO)			–7	–11	–10	–12	–12
Total, Defense-related activities	901	1,259	1,118	1,135	1,142	1,159	1,187
Total, Discretionary	294,964	299,581	319,218	322,098	333,451	347,622	354,588
Mandatory:							
Department of Defense—Military:							
Military personnel			24	24	24	24	24
Revolving, trust and other DoD mandatory	1,085	564	382	430	311	344	308
Offsetting receipts	–1,764	–1,598	–1,457	–1,449	–1,408	–1,437	–1,395
Total, Department of Defense—Military	–679	–1,034	–1,051	–995	–1,073	–1,069	–1,063
Atomic energy defense activities:							
Energy employee occupational illness compensation fund		358	597	477	253	222	149
Energy employee occupational illness compensation fund, administrative expenses		15	120	114	71	54	38
Total, Atomic energy defense activities		373	717	591	324	276	187

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Defense-related activities:							
Mandatory programs	209	216	212	222	232	238	246
Proposed Legislation (PAYGO)			97	155	150	108	68
Total, Defense-related activities	209	216	309	377	382	346	314
Total, Mandatory	–470	–445	–25	–27	–367	–447	–562
Total, National defense	294,494	299,136	319,193	322,071	333,084	347,175	354,026
150 International affairs:							
Discretionary:							
International development, humanitarian assistance:							
Development assistance and child survival and disease programs	1,530	1,839	2,057	2,090	2,125	2,152	2,238
Multilateral development banks (MDB's)	1,351	1,726	1,440	1,485	1,521	1,308	1,300
Assistance for the New Independent States	678	448	594	701	760	816	841
Food aid	946	887	843	848	862	878	897
Refugee programs	864	791	795	784	773	775	792
Assistance for Central and Eastern Europe	423	349	442	504	564	635	645
Voluntary contributions to international organizations	294	299	301	307	311	316	323
Peace Corps	246	273	279	277	286	292	299
Central America and Caribbean emergency disaster recovery fund	162	228	100	41	12		
International narcotics control and law enforcement—Andean counterdrug initiative	375	863	811	927	959	989	1,012
Debt restructuring	75	251	244	274	236	233	238
Other development and humanitarian assistance	1,013	732	726	710	724	723	746
Total, International development, humanitarian assistance	7,957	8,686	8,632	8,948	9,133	9,117	9,331
International security assistance:							
Foreign military financing grants and loans	3,928	4,276	4,314	4,253	4,083	3,906	3,983
Economic support fund	2,463	2,286	2,270	2,295	2,327	2,374	2,414
Other security assistance	480	516	560	590	592	581	591
Total, International security assistance	6,871	7,078	7,144	7,138	7,002	6,861	6,988
Conduct of foreign affairs:							
State Department operations	2,805	3,314	4,199	4,142	4,129	4,161	4,254
Foreign buildings	502	662	834	993	1,169	1,283	1,340
Assessed contributions to international organizations	986	882	891	911	918	938	960
Assessed contributions for international peacekeeping	334	1,136	867	863	881	902	921

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Arrearage payment for international organizations and peacekeeping	....	....	244	....	....	....	....
Proposed Legislation (non-PAYGO)	....	582	....	....	....	....	....
Subtotal, Arrearage payment for international organizations and peacekeeping	....	582	244	....	....	....	....
Other conduct of foreign affairs	140	139	151	151	153	157	159
Total, Conduct of foreign affairs	4,767	6,715	7,186	7,060	7,250	7,441	7,634
Foreign information and exchange activities:							
International broadcasting	391	466	480	496	492	499	512
Other information and exchange activities	423	397	341	339	310	317	325
Total, Foreign information and exchange activities	814	863	821	835	802	816	837
International financial programs:							
Export-Import Bank	864	761	755	730	731	737	773
Special defense acquisition fund	–5	....	5	....	....	....	....
Other IMF	17	9	....	....	....	....	....
Total, International financial programs	876	770	760	730	731	737	773
Total, Discretionary	21,285	24,112	24,543	24,711	24,918	24,972	25,563
Mandatory:							
International development, humanitarian assistance:							
Credit liquidating accounts	–1,385	–1,563	–1,377	–1,242	–1,211	–1,149	–1,104
Receipts and other	–54	–96	–8	–9	–9	–9	–9
Total, International development, humanitarian assistance	–1,439	–1,659	–1,385	–1,251	–1,220	–1,158	–1,113
International security assistance:							
Foreign military loan reestimates	186	–208	....	....	....	....	....
Foreign military loan liquidating account	–670	–550	–443	–365	–325	–319	–314
Total, International security assistance	–484	–758	–443	–365	–325	–319	–314
Foreign affairs and information:							
Conduct of foreign affairs	–58	6	1	–7	–7	–7	–7
Japan-U.S. Friendship Commission	3	3	3	3	3	3	3

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Vietnam debt repayment fund, transfers from liquidating fund	....	–6	–6	–5	–5	–5	–5
Total, Foreign affairs and information	–55	3	–2	–9	–9	–9	–9
International financial programs:							
Foreign military sales trust fund (net)	–277	....	....	....	....	....	....
International monetary fund	1,103	....	....	....	....	....	....
Exchange stabilization fund	–1,160	–1,273	–1,246	–1,357	–1,438	–1,488	–1,513
Credit liquidating account (Exim)	–1,034	–630	–397	–355	–358	–340	–304
Export-Import Bank—subsidy reestimates	–573	–1,975	....	....	....	....	....
Other international financial programs	–150	–359	–70	–85	–88	–94	–108
Total, International financial programs	–2,091	–4,237	–1,713	–1,797	–1,884	–1,922	–1,925
Total, Mandatory	–4,069	–6,651	–3,543	–3,422	–3,438	–3,408	–3,361
Total, International affairs	17,216	17,461	21,000	21,289	21,480	21,564	22,202
250 General science, space, and technology:							
Discretionary:							
General science and basic research:							
National Science Foundation programs	3,396	3,767	4,154	4,309	4,517	4,587	4,686
Department of Energy general science programs	2,778	2,993	3,160	3,203	3,265	3,339	3,413
Total, General science and basic research	6,174	6,760	7,314	7,512	7,782	7,926	8,099
Space flight, research, and supporting activities:							
Science, aeronautics and technology	4,858	5,248	6,055	6,672	7,549	8,077	8,475
Human space flight	5,497	5,421	6,829	6,947	6,644	6,488	6,481
Mission support	2,021	2,169	443	64	24	2	....
Other NASA programs	51	34	31	24	25	25	26
Total, Space flight, research, and supporting activities	12,427	12,872	13,358	13,707	14,242	14,592	14,982
Total, Discretionary	18,601	19,632	20,672	21,219	22,024	22,518	23,081
Mandatory:							
General science and basic research:							
National Science Foundation donations	36	91	126	158	150	92	53

Table 22–2. Outlays by Function, Category, and Program—Continued
(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Space flight, research, and supporting activities:							
National Space Grant Program	....	3	....	....	....	....	....
Total, Mandatory	36	94	126	158	150	92	53
Total, General science, space, and technology	18,637	19,726	20,798	21,377	22,174	22,610	23,134
270 Energy:							
Discretionary:							
Energy supply:							
Research and development	1,105	1,152	1,175	1,199	1,120	1,107	1,093
Naval petroleum reserves operations	27	28	17	16	18	18	19
Uranium enrichment activities	243	....	....	....	....	....	....
Decontamination transfer	–420	–419	–420	–442	–454	–466	–478
Nuclear waste program	268	173	164	137	140	143	146
Federal power marketing	249	215	177	187	190	195	199
Elk Hills school lands fund	....	36	36	37	38	38	39
Rural electric and telephone discretionary loans	76	69	63	50	42	40	38
Non-defense environmental management and other	350	703	591	595	613	626	642
Proposed Legislation (non-PAYGO)	....	....	....	....	68	137	181
Subtotal, Non-defense environmental management and other	350	703	591	595	681	763	823
Total, Energy supply	1,898	1,957	1,803	1,779	1,775	1,838	1,879
Energy conservation and preparedness:							
Energy conservation	666	743	798	837	911	952	976
Emergency energy preparedness	162	162	167	171	174	178	183
Total, Energy conservation and preparedness	828	905	965	1,008	1,085	1,130	1,159
Energy information, policy, and regulation:							
Nuclear Regulatory Commission (NRC)	33	40	41	54	65	78	77
Federal Energy Regulatory Commission fees and recoveries, and other	–18	–25	–26	–27	–27	–28	–29
Department of Energy departmental administration, OIG, and EIA administration	218	169	191	224	196	202	208
Total, Energy information, policy, and regulation	233	184	206	251	234	252	256
Total, Discretionary	2,959	3,046	2,974	3,038	3,094	3,220	3,294
Mandatory:							
Energy supply:							
Naval petroleum reserves oil and gas sales	–10	–8	–8	....	....	....	....
Federal power marketing	–934	–1,002	–764	–715	–801	–769	–799

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Tennessee Valley Authority	–347	–505	–260	–451	–953	–1,010	–1,078
United States Enrichment Corporation	–5	–64	–67	–71	–75	–79	–83
Nuclear waste fund program	–701	–620	–640	–625	–612	–637	–621
Elk Hills school lands fund			36				
Research and development	2						
Rural electric and telephone liquidating accounts	–2,021	–1,341	–1,593	–1,288	–1,263	–1,131	–1,001
Rural electric and telephone loan subsidy reestimates		–161					
Total, Energy supply	–4,016	–3,701	–3,296	–3,150	–3,704	–3,626	–3,582
Energy information, policy, and regulation:							
Miscellaneous revenues, departmental administration	–3						
Total, Mandatory	–4,019	–3,701	–3,296	–3,150	–3,704	–3,626	–3,582
Total, Energy	–1,060	–655	–322	–112	–610	–406	–288
300 Natural resources and environment:							
Discretionary:							
Water resources:							
Corps of Engineers	4,186	4,338	4,158	4,020	4,094	4,160	4,072
Bureau of Reclamation	802	961	780	791	809	830	849
Watershed, flood prevention, and other	291	301	261	182	180	147	156
Total, Water resources	5,279	5,600	5,199	4,993	5,083	5,137	5,077
Conservation and land management:							
Forest Service	3,223	4,235	3,763	3,726	3,750	3,833	3,917
Management of public lands (BLM)	1,356	1,525	1,768	1,782	1,660	1,696	1,733
Recreation fee (Proposed Legislation non-PAYGO)				–4	–5	–5	–6
Conservation of agricultural lands	698	807	825	845	857	871	890
Proposed Legislation (non-PAYGO)			–7	–9	–8	–3	–3
Subtotal, Conservation of agricultural lands	698	807	818	836	849	868	887
Other conservation and land management programs	546	655	618	587	598	624	629
Total, Conservation and land management	5,823	7,222	6,967	6,927	6,852	7,016	7,160
Recreational resources:							
Operation of recreational resources	2,742	3,210	3,415	3,522	3,609	3,797	3,946
Recreation fee (Proposed Legislation non-PAYGO)				–57	–76	–76	–77

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other recreational resources activities	222	133	188	192	166	156	155
Total, Recreational resources	2,964	3,343	3,603	3,657	3,699	3,877	4,024
Pollution control and abatement:							
Regulatory, enforcement, and research programs	2,641	2,900	2,958	2,959	2,931	2,953	2,997
State and tribal assistance grants	3,192	3,393	3,534	3,596	3,543	3,544	3,421
Hazardous substance superfund	1,603	1,380	1,287	1,285	1,285	1,287	1,308
Other control and abatement activities	138	141	142	154	157	162	161
Proposed Legislation (non-PAYGO)	....	....	–4	–8	–8	–8	–8
Total, Pollution control and abatement	7,574	7,814	7,917	7,986	7,908	7,938	7,879
Other natural resources:							
NOAA	2,317	2,556	2,899	3,059	3,180	3,289	3,357
Other natural resource program activities	1,037	1,048	1,002	1,010	1,015	1,013	1,033
Total, Other natural resources	3,354	3,604	3,901	4,069	4,195	4,302	4,390
Total, Discretionary	24,994	27,583	27,587	27,632	27,737	28,270	28,530
Mandatory:							
Water resources:							
Offsetting receipts and other mandatory water resource programs	–198	–169	–206	–76	–142	–158	–168
Proposed Legislation (PAYGO)	....	....	....	10	15	20	25
Total, Water resources	–198	–169	–206	–66	–127	–138	–143
Conservation and land management:							
Conservation Reserve Program and other	1,793	2,061	2,065	2,031	2,120	2,112	2,103
Other conservation programs	360	526	555	513	513	511	509
Recreation fee (Proposed Legislation PAYGO)	....	....	....	6	8	8	8
Offsetting receipts	–2,075	–3,001	–2,791	–2,784	–2,798	–2,816	–2,796
Recreation fee (Proposed Legislation PAYGO)	....	....	....	5	5	6	6
Total, Conservation and land management	78	–414	–171	–229	–152	–179	–170
Recreational resources:							
Operation of recreational resources	814	923	921	942	1,037	925	928
Recreation fee (Proposed Legislation PAYGO)	....	....	....	43	93	155	189

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Offsetting receipts	–359	–458	–374	–309	–312	–313	–315
Proposed Legislation (PAYGO)	....	....	....	76	76	77	77
Subtotal, Offsetting receipts	–359	–458	–374	–233	–236	–236	–238
Recreation fee (Proposed Legislation PAYGO)	....	....	–10	–209	–217	–224	–227
Total, Recreational resources	455	465	537	543	677	620	652
Pollution control and abatement:							
Superfund resources and other mandatory	–172	–148	–164	–184	–170	–141	–127
Other natural resources:							
Fees and mandatory programs	–126	53	–89	–26	1	3	2
Total, Mandatory	37	–213	–93	38	229	165	214
Total, Natural resources and environment	25,031	27,370	27,494	27,670	27,966	28,435	28,744
350 Agriculture:							
Discretionary:							
Farm income stabilization:							
Agriculture credit loan program	391	482	465	476	487	497	508
P.L.480 market development activities	342	408	267	160	141	144	146
Administrative expenses	860	979	1,080	1,064	1,111	1,104	1,114
Total, Farm income stabilization	1,593	1,869	1,812	1,700	1,739	1,745	1,768
Agricultural research and services:							
Research and education programs	1,349	1,467	1,462	1,550	1,483	1,464	1,473
Discretionary changes to mandatory research programs	....	....	–9	–54	....	18	45
Integrated research, education, and extension programs	1	17	31	41	42	43	44
Extension programs	437	421	460	432	436	437	447
Marketing programs	53	58	72	73	75	77	78
Animal and plant inspection programs	526	894	860	669	671	685	699
Proposed Legislation (non-PAYGO)	....	....	–5	–5	–5	–5	–5
Subtotal, Animal and plant inspection programs	526	894	855	664	666	680	694
Economic intelligence	173	165	179	200	189	186	192

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Grain inspection and packers program	25	32	33	34	34	35	35
Proposed Legislation (non-PAYGO)			–4	–4	–4	–4	–4
Subtotal, Grain inspection and packers program	25	32	29	30	30	31	31
Foreign agricultural service	125	105	122	124	128	130	134
Other programs and unallocated overhead	369	457	447	458	469	480	487
Total, Agricultural research and services	3,058	3,616	3,648	3,518	3,518	3,546	3,625
Total, Discretionary	4,651	5,485	5,460	5,218	5,257	5,291	5,393
Mandatory:							
Farm income stabilization:							
Commodity Credit Corporation	30,484	18,447	10,986	7,213	5,963	5,808	5,902
Crop insurance and other farm credit activities	2,473	2,697	2,758	2,949	3,105	3,254	3,439
Credit liquidating accounts (ACIF and FAC)	–1,098	–917	–883	–867	–786	–743	–676
Total, Farm income stabilization	31,859	20,227	12,861	9,295	8,282	8,319	8,665
Agricultural research and services:							
Miscellaneous mandatory programs	291	410	463	684	637	628	592
Offsetting receipts	–160	–200	–162	–160	–160	–158	–158
Total, Agricultural research and services	131	210	301	524	477	470	434
Total, Mandatory	31,990	20,437	13,162	9,819	8,759	8,789	9,099
Total, Agriculture	36,641	25,922	18,622	15,037	14,016	14,080	14,492
370 Commerce and housing credit:							
Discretionary:							
Mortgage credit:							
Federal Housing Administration (FHA) loan programs	–1,128	–1,176	–1,599	–1,893	–2,080	–2,162	–2,074
Government National Mortgage Association (GNMA)	–303	–347	–345	–350	–351	–351	–352
Other housing and urban development	–61	–100	–239	–236	–234	–235	–238
Rural housing insurance fund	559	658	675	674	686	699	721
Total, Mortgage credit	–933	–965	–1,508	–1,805	–1,979	–2,049	–1,943
Postal service:							
Payments to the Postal Service fund (On-budget)	100	93	77	79	80	82	84
Deposit insurance:							
National credit union administration	1		–1				

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other advancement of commerce:							
Small and minority business assistance	581	686	629	539	510	522	532
Science and technology	635	690	729	657	565	555	552
Economic and demographic statistics	4,169	1,355	652	874	809	782	810
Regulatory agencies	–401	–462	–492	–543	–554	–660	–781
International Trade Administration	336	305	321	337	341	350	357
Patent and trademark salaries and expenses	–134	–230	–198	–208	–224	–220	–246
Other discretionary	120	222	141	142	144	149	154
Total, Other advancement of commerce	5,306	2,566	1,782	1,798	1,591	1,478	1,378
Total, Discretionary	4,474	1,694	350	72	–308	–489	–481
Mandatory:							
Mortgage credit:							
FHA General and special risk negative subsidies	....	–304	–200	–42	–99	–17	–15
FHA mutual mortgage insurance receipts (intragovernmental)	....	–4,027	....	–81	–251	–430	–610
GNMA receipts (intragovernmental)	....	–6,610	–439	–405	–429	–453	–479
Indian housing loan guarantee receipts	....	–6	....	....	....	....	....
Mortgage credit reestimates	....	4,073	....	....	....	....	....
FHA general and special risk insurance liquidating account	443	1,600	1,950	1,716	722	537	263
GNMA liquidating account	–389	6,216	....	....	....	....	....
Other credit liquidating accounts	–2,455	1,044	–2,768	–2,811	–2,841	–2,934	–3,160
Other mortgage credit activities	–1	274	....	....	....	....	....
Total, Mortgage credit	–2,402	2,260	–1,457	–1,623	–2,898	–3,297	–4,001
Postal service:							
Payments to the Postal Service fund for nonfunded liabilities (On-budget)	....	....	67	....	....	....	....
Postal Service (Off-budget)	2,029	2,596	3,061	–502	–719	–1,318	–1,812
Total, Postal service	2,029	2,596	3,128	–502	–719	–1,318	–1,812
Deposit insurance:							
Bank Insurance Fund	–909	–756	–195	672	997	1,638	904
Proposed Legislation (non-PAYGO)	....	....	–5	–11	–18	–24	–31
Proposed Legislation (PAYGO)	....	....	–92	–97	–101	–106	–112
Subtotal, Bank Insurance Fund	–909	–756	–292	564	878	1,508	761
FSLIC Resolution Fund	–1,396	116	262	–60	15	–97	–63
Savings Association Insurance Fund	–562	–112	–248	–119	34	56	98

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
National credit union administration	–208	–244	–395	–345	–360	–380	–401
Other deposit insurance activities	23	10	22	19	27	28	29
Total, Deposit insurance	–3,052	–986	–651	59	594	1,115	424
Other advancement of commerce:							
Universal service fund	4,074	6,483	5,468	6,487	6,730	7,309	7,906
Payments to copyright owners	375	257	161	251	229	242	254
Spectrum auction subsidy	–1,821	–12,201	8	8	8	8	8
Regulatory fees	–25	–26	–26	–26	–26	–26	–26
Credit liquidating accounts	–258	–137	–63	–48	–36	–29	–22
Business loan program, subsidy reestimate	–284	–722					
Other mandatory	101	14	26	26	26	26	26
Proposed Legislation (PAYGO)			2				
Subtotal, Other mandatory	101	14	28	26	26	26	26
Total, Other advancement of commerce	2,162	–6,332	5,576	6,698	6,931	7,530	8,146
Total, Mandatory	–1,263	–2,462	6,596	4,632	3,908	4,030	2,757
Total, Commerce and housing credit	3,211	–768	6,946	4,704	3,600	3,541	2,276
400 Transportation:							
Discretionary:							
Ground transportation:							
Highways	23,990	26,049	28,696	30,025	31,148	32,265	33,227
State infrastructure banks	19	8	8	6	5	2	
Highway safety	485	673	754	729	724	741	761
Mass transit	5,331	5,508	5,726	5,805	6,309	7,002	7,259
Railroads	761	836	1,046	725	737	754	767
Proposed Legislation (non-PAYGO)			–55	–110	–113	–116	–119
Subtotal, Railroads	761	836	991	615	624	638	648
Regulation	16	18	18	19	19	19	20
Total, Ground transportation	30,602	33,092	36,193	37,199	38,829	40,667	41,915
Air transportation:							
Airports and airways (FAA)	9,562	11,019	12,192	13,223	13,794	14,345	14,716
Aeronautical research and technology	1,014	901	889	965	840	844	844
Payments to air carriers	–5	20	–4				
Total, Air transportation	10,571	11,940	13,077	14,188	14,634	15,189	15,560
Water transportation:							
Marine safety and transportation	3,271	3,383	3,637	3,685	3,842	3,961	4,067
Ocean shipping	86	149	99	128	136	141	145

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Panama Canal Commission	15						
Total, Water transportation	3,372	3,532	3,736	3,813	3,978	4,102	4,212
Other transportation:							
Department of Transportation administration and other	202	296	248	252	262	267	272
Proposed Legislation (non-PAYGO)			–12	–22	–22	–23	–24
Total, Other transportation	202	296	236	230	240	244	248
Total, Discretionary	44,747	48,860	53,242	55,430	57,681	60,202	61,935
Mandatory:							
Ground transportation:							
Highways	1,244	1,428	1,269	1,137	1,034	928	863
Offsetting receipts and credit subsidy reestimates	–99	–33	–33	–33	–33	–33	–33
Credit liquidating accounts	–50	–29	–29	–29	–29	–29	–24
Total, Ground transportation	1,095	1,366	1,207	1,075	972	866	806
Air transportation:							
Payments to air carriers		30	44	40	40	40	40
Water transportation:							
Coast Guard retired pay	713	760	861	943	985	1,024	1,063
Other water transportation programs	309	65	25	–11	–14	–16	–18
Total, Water transportation	1,022	825	886	932	971	1,008	1,045
Other transportation:							
Sale of Governors Island			–340				
Other mandatory transportation programs	–10	–2	–1	–1	–1	–1	–1
Total, Other transportation	–10	–2	–341	–1	–1	–1	–1
Total, Mandatory	2,107	2,219	1,796	2,046	1,982	1,913	1,890
Total, Transportation	46,854	51,079	55,038	57,476	59,663	62,115	63,825
450 Community and regional development:							
Discretionary:							
Community development:							
Community development block grant	4,955	4,940	5,034	4,914	4,817	4,840	4,936
Proposed Legislation (non-PAYGO)			10	65	96	104	106
Subtotal, Community development block grant	4,955	4,940	5,044	4,979	4,913	4,944	5,042
Community development loan guarantees	7	20	20	18	18	15	16

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Community adjustment and investment program	6	8	1	2	2	2	2
Community development financial institutions	96	115	114	103	78	72	72
Brownfields redevelopment	4	25	30	33	33	29	27
Other community development programs	403	461	504	548	549	572	591
Total, Community development	5,471	5,569	5,713	5,683	5,593	5,634	5,750
Area and regional development:							
Rural development	755	964	899	1,028	954	935	912
Economic Development Administration	383	460	459	436	409	390	382
Indian programs	1,097	1,151	1,351	1,403	1,517	1,529	1,556
Appalachian Regional Commission	132	115	107	72	72	83	82
Tennessee Valley Authority	40	7	2	1	1	1	1
Denali Commission	43	23	49	42	42	43	45
Delta Regional Authority	....	2	6	12	15	18	21
Total, Area and regional development	2,450	2,722	2,873	2,994	3,010	2,999	2,999
Disaster relief and insurance:							
Disaster relief	2,628	2,236	2,364	2,496	2,274	2,117	1,780
Small Business Administration disaster loans	306	266	110	93	78	80	81
Disaster loan program, negative subsidies	....	–595	....	....	....	....	....
Other disaster assistance programs	570	1,021	973	757	696	697	705
Total, Disaster relief and insurance	3,504	2,928	3,447	3,346	3,048	2,894	2,566
Total, Discretionary	11,425	11,219	12,033	12,023	11,651	11,527	11,315
Mandatory:							
Community development:							
Pennsylvania Avenue activities and other programs	45	13	....	....	....	....	....
Credit liquidating accounts	–36	–33	–32	–23	–15	–12	–10
Total, Community development	9	–20	–32	–23	–15	–12	–10
Area and regional development:							
Indian programs	153	164	168	173	180	186	192
Rural development programs	58	161	97	39	35	35	35
Credit liquidating accounts	11	27	–159	–383	–418	–508	–527
Offsetting receipts	–134	–317	–151	–156	–164	–169	–172
Total, Area and regional development	88	35	–45	–327	–367	–456	–472

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Disaster relief and insurance:							
National flood insurance fund	–197	–209	–239	–325	–347	–365	–383
Proposed Legislation (PAYGO)	....	....	–12	–61	–123	–232	–377
Subtotal, National flood insurance fund	–197	–209	–251	–386	–470	–597	–760
Radiological emergency preparedness fees	–1	....	....	....	....	....	....
Disaster loans program account	68	45	....	....	....	....	....
SBA disaster loan subsidy reestimates	–516	–384	....	....	....	....	....
Disaster assistance, downward reestimates	....	–10	....	....	....	....	....
Credit liquidating accounts	–247	–104	38	13	10	....	....
Total, Disaster relief and insurance	–893	–662	–213	–373	–460	–597	–760
Total, Mandatory	–796	–647	–290	–723	–842	–1,065	–1,242
Total, Community and regional development	10,629	10,572	11,743	11,300	10,809	10,462	10,073
500 Education, training, employment, and social services:							
Discretionary:							
Elementary, secondary, and vocational education:							
Education for the disadvantaged	8,529	8,471	9,396	10,709	11,190	11,466	11,721
Impact aid	877	1,140	1,114	1,154	1,177	1,204	1,231
School improvement	2,521	3,098	3,919	6,201	6,527	6,634	6,782
Education reform	1,243	1,963	1,627	652	94	....	....
Bilingual and immigrant education	363	448	442	458	468	478	488
Special education	4,949	5,815	6,934	8,013	8,503	8,733	8,928
Vocational and adult education	1,462	1,723	1,775	1,804	1,833	1,871	1,912
Reading excellence	27	186	233	247	84	29	....
Indian education	595	647	698	748	767	777	788
Other	12	17	13	13	13	13	13
Total, Elementary, secondary, and vocational education	20,578	23,508	26,151	29,999	30,656	31,205	31,863
Higher education:							
Student financial assistance	9,060	10,061	11,158	11,728	12,030	12,401	12,681
Higher education	1,091	1,559	1,777	1,740	1,781	1,992	2,111
Federal family education loan program	38	56	50	51	52	54	54
Other higher education programs	357	390	396	406	414	425	434
Total, Higher education	10,546	12,066	13,381	13,925	14,277	14,872	15,280
Research and general education aids:							
Library of Congress	299	305	359	356	361	365	376
Public broadcasting	337	374	396	419	437	448	459
Smithsonian institution and related agencies	517	636	638	598	615	635	655

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Education research, statistics, and improvement	557	719	666	451	399	402	411
Other	794	916	949	916	922	913	932
Total, Research and general education aids	2,504	2,950	3,008	2,740	2,734	2,763	2,833
Training and employment:							
Training and employment services	4,282	5,191	6,225	5,947	5,464	5,580	5,715
Older Americans employment	400	477	440	441	451	461	471
Federal-State employment service	1,314	1,267	1,303	1,321	1,345	1,373	1,403
Other employment and training	101	118	113	115	118	121	123
Total, Training and employment	6,097	7,053	8,081	7,824	7,378	7,535	7,712
Other labor services:							
Labor law, statistics, and other administration	1,194	1,394	1,445	1,495	1,531	1,566	1,597
Social services:							
Corporation for National and Community Service	386	498	436	373	416	429	437
National Service	298	312	375	322	374	357	381
Children and families services programs	6,151	6,642	7,794	8,125	8,341	8,537	8,737
Proposed Legislation (non-PAYGO)	....	....	3	35	58	66	67
Subtotal, Children and families services programs	6,151	6,642	7,797	8,160	8,399	8,603	8,804
Aging services program	885	1,017	1,086	1,119	1,138	1,162	1,189
Other	296	666	448	510	534	548	561
Total, Social services	8,016	9,135	10,142	10,484	10,861	11,099	11,372
Total, Discretionary	48,935	56,106	62,208	66,467	67,437	69,040	70,657
Mandatory:							
Higher education:							
Federal family education loan program	4,307	–1,145	3,658	3,397	2,850	2,771	2,907
Proposed Legislation (PAYGO)	....	....	7	3	3	3	4
Subtotal, Federal family education loan program	4,307	–1,145	3,665	3,400	2,853	2,774	2,911
Federal direct loan program	–2,862	–442	–639	–449	–65	–96	–193
Proposed Legislation (PAYGO)	....	....	4	2	2	2	2
Subtotal, Federal direct loan program	–2,862	–442	–635	–447	–63	–94	–191
Other higher education programs	–240	–174	–193	–98	–129	–38	149

Table 22–2. Outlays by Function, Category, and Program—Continued
(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Credit liquidating account (Family education loan program)	–1,635	–700	–604	–466	–340	–239	–167
Total, Higher education	–430	–2,461	2,233	2,389	2,321	2,403	2,702
Research and general education aids:							
Mandatory programs	28	79	35	33	28	26	23
Training and employment:							
Trade adjustment assistance	133	141	96	26			
Proposed Legislation (non-PAYGO)			40	106	132	132	132
Subtotal, Trade adjustment assistance	133	141	136	132	132	132	132
Welfare to work grants	527	850	690	275	85		
Payments to States for AFDC work programs	15	9	3				
Other mandatory training and employment services		75	134	185	203	100	26
Total, Training and employment	675	1,075	963	592	420	232	158
Other labor services:							
Other labor services	5	11	16	16			
Social services:							
Payments to States for foster care and adoption assistance	5,453	6,055	6,540	6,959	7,415	8,018	8,677
Education and training for older foster children (Proposed Legislation PAYGO)			9	46	58	60	60
Promoting safe and stable families	245	276	293	304	305	305	305
Proposed Legislation (PAYGO)			30	158	192	196	200
Subtotal, Promoting safe and stable families	245	276	323	462	497	501	505
Social services block grant	1,827	1,907	1,809	1,804	1,804	1,804	1,729
Rehabilitation services	2,463	2,196	2,455	2,521	2,585	2,652	2,719
Other social services		7	11	15	16	12	8
Total, Social services	9,988	10,441	11,147	11,807	12,375	13,047	13,698
Total, Mandatory	10,266	9,145	14,394	14,837	15,144	15,708	16,581
Total, Education, training, employment, and social services	59,201	65,251	76,602	81,304	82,581	84,748	87,238
550 Health:							
Discretionary:							
Health care services:							
Substance abuse and mental health services	2,499	2,666	2,882	3,051	3,203	3,353	3,490
Indian health	2,344	2,439	2,729	2,767	2,831	2,881	2,943
Health Resources and Services Administration	3,785	4,224	4,662	4,720	4,885	5,120	5,357

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Disease control, research, and training	2,317	2,903	3,382	3,586	3,686	3,781	3,863
Departmental management and other	796	736	729	624	600	614	628
Total, Health care services	11,741	12,968	14,384	14,748	15,205	15,749	16,281
Health research and training:							
National Institutes of Health	15,373	17,809	20,605	23,604	26,414	27,568	28,284
Clinical training	332	427	459	371	363	367	370
Other health research and training	243	371	368	304	287	285	286
Total, Health research and training	15,948	18,607	21,432	24,279	27,064	28,220	28,940
Consumer and occupational health and safety:							
Food safety and inspection	647	695	733	731	748	764	781
Occupational safety and health	607	676	687	701	716	731	751
FDA and Consumer Product Safety Commission salaries and expenses	1,070	1,150	1,227	1,275	1,311	1,341	1,367
Total, Consumer and occupational health and safety	2,324	2,521	2,647	2,707	2,775	2,836	2,899
Total, Discretionary	30,013	34,096	38,463	41,734	45,044	46,805	48,120
Mandatory:							
Health care services:							
Medicaid grants	117,921	128,853	143,029	153,786	167,410	182,381	198,256
Proposed Legislation (PAYGO)	....	....	–606	–1,071	–1,450	–1,844	–1,906
Subtotal, Medicaid grants	117,921	128,853	142,423	152,715	165,960	180,537	196,350
State children's health insurance fund	1,220	4,032	3,355	4,072	4,260	4,290	4,370
Health care tax credit—refundable portion (Proposed Legislation PAYGO)	....	....	81	1,914	1,221	1,909	2,027
Immediate helping hand prescription drug plan (Proposed Legislation PAYGO)	....	2,500	11,200	12,900	14,800	4,200	....
Federal employees' and retired employees' health benefits	4,818	4,761	4,881	5,407	6,189	7,063	7,786
DoD Medicare-eligible retiree health care fund	....	....	....	4,784	4,994	5,213	5,442
UMWA Funds (coal miner retiree health)	196	252	235	187	178	171	164
Ricky Ray hemophilia relief fund	....	333	244	3	....	....	....
Other mandatory health services activities	335	539	542	573	504	504	523
Total, Health care services	124,490	141,270	162,961	182,555	198,106	203,887	216,662

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Health research and safety:							
Health research and training	31	–60	77	101	101	50	12
Total, Mandatory	124,521	141,210	163,038	182,656	198,207	203,937	216,674
Total, Health	154,534	175,306	201,501	224,390	243,251	250,742	264,794
570 Medicare:							
Discretionary:							
Medicare:							
Hospital insurance (HI) administrative expenses	1,222	1,440	1,547	1,581	1,617	1,653	1,690
Proposed Legislation (non-PAYGO)			–20	–20	–20	–20	–20
Subtotal, Hospital insurance (HI) administrative expenses	1,222	1,440	1,527	1,561	1,597	1,633	1,670
Supplementary medical insurance (SMI) administrative expenses	1,776	1,816	2,023	2,073	2,118	2,165	2,213
Proposed Legislation (non-PAYGO)			–95	–95	–95	–95	–95
Subtotal, Supplementary medical insurance (SMI) administrative expenses	1,776	1,816	1,928	1,978	2,023	2,070	2,118
Total, Discretionary	2,998	3,256	3,455	3,539	3,620	3,703	3,788
Mandatory:							
Medicare:							
Hospital insurance (HI)	128,808	141,328	145,684	151,475	158,535	169,743	175,148
Supplementary medical insurance (SMI)	87,216	99,463	107,830	117,006	125,192	136,063	142,222
Medicare modernization (Proposed Legislation PAYGO)						8,300	12,800
HI premiums and collections	–1,392	–1,397	–1,488	–1,551	–1,643	–1,744	–1,855
SMI premiums and collections	–20,515	–22,036	–25,546	–28,345	–29,851	–33,276	–36,087
Quinquennial adjustment (HI)		–1,332					
HI interfunds	–9,512	–8,110	–8,581	–8,890	–9,461	–9,981	–10,620
SMI interfunds	–65,561	–69,788	–81,347	–88,783	–92,549	–102,042	–110,380
Proposed Legislation (non-PAYGO)			70	75	70	70	70
Subtotal, SMI interfunds	–65,561	–69,788	–81,277	–88,708	–92,479	–101,972	–110,310
General fund payment to HI and SMI trust funds	75,071	77,874	90,002	97,967	102,469	112,683	121,819
Proposed Legislation (non-PAYGO)			–176	–379	–531	–732	–891
Subtotal, General fund payment to HI and SMI trust funds	75,071	77,874	89,826	97,588	101,938	111,951	120,928
Total, Mandatory	194,115	216,002	226,448	238,575	252,231	279,084	292,226
Total, Medicare	197,113	219,258	229,903	242,114	255,851	282,787	296,014

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
600 Income security:							
Discretionary:							
General retirement and disability insurance:							
Railroad retirement	267	261	250	255	262	267	273
Pension Benefit Guaranty Corporation	11	12	12	12	12	12	12
Pension and Welfare Benefits Administration and other	94	108	110	112	114	117	119
Total, General retirement and disability insurance	372	381	372	379	388	396	404
Federal employee retirement and disability:							
Civilian retirement and disability program administrative expenses	85	92	105	107	110	112	114
Federal workers' compensation benefits	....	....	–80	–80	–82	–85	–87
Armed forces retirement home	64	64	69	82	85	88	90
Total, Federal employee retirement and disability	149	156	94	109	113	115	117
Unemployment compensation:							
Unemployment programs administrative expenses	2,270	2,369	2,419	2,473	2,528	2,584	2,642
Housing assistance:							
Public housing operating fund	2,836	3,217	3,336	3,421	3,497	3,575	3,655
Public housing capital fund	3,690	3,718	3,583	3,446	3,235	3,094	2,990
Subsidized, public, homeless and other HUD housing	21,622	23,273	24,728	25,440	25,795	26,284	26,901
Rural housing assistance	640	723	778	806	841	881	917
Total, Housing assistance	28,788	30,931	32,425	33,113	33,368	33,834	34,463
Food and nutrition assistance:							
Special supplemental food program for women, infants, and children (WIC)	3,950	4,084	4,129	4,222	4,316	4,412	4,511
Other nutrition programs	513	572	580	590	603	617	630
Total, Food and nutrition assistance	4,463	4,656	4,709	4,812	4,919	5,029	5,141
Other income assistance:							
Refugee assistance	383	451	445	449	455	463	473
Low income home energy assistance	1,495	2,241	1,525	1,560	1,585	1,623	1,659
Child care and development block grant	1,070	1,686	2,069	2,209	2,275	2,328	2,380

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Supplemental security income (SSI) administrative expenses	2,424	2,589	2,818	2,906	2,971	3,037	3,105
Total, Other income assistance	5,372	6,967	6,857	7,124	7,286	7,451	7,617
Total, Discretionary	41,414	45,460	46,876	48,010	48,602	49,409	50,384
Mandatory:							
General retirement and disability insurance:							
Railroad retirement	4,429	5,111	4,631	4,751	4,903	5,053	5,414
Special benefits for disabled coal miners	992	955	904	860	819	776	735
Pension Benefit Guaranty Corporation	–1,156	–1,212	–1,616	–1,518	–1,681	–1,721	–1,735
District of Columbia pension funds	200	213	227	239	250	262	273
Proceeds from sale of DC retirement fund assets	–3	....	....	....	....	....	....
Special workers' compensation program	141	146	146	149	150	149	149
Total, General retirement and disability insurance	4,603	5,213	4,292	4,481	4,441	4,519	4,836
Federal employee retirement and disability:							
Federal civilian employee retirement and disability	45,619	47,956	50,157	52,565	54,932	57,380	59,871
Military retirement	32,808	34,223	35,266	36,278	37,302	38,309	39,355
Federal employees workers' compensation (FECA)	27	137	147	182	173	176	186
Federal employees life insurance fund	–1,451	–1,296	–1,266	–1,233	–1,215	–1,166	–1,109
Total, Federal employee retirement and disability	77,003	81,020	84,304	87,792	91,192	94,699	98,303
Unemployment compensation:							
Unemployment insurance programs	20,471	25,164	28,046	28,744	30,550	32,197	33,970
Trade adjustment assistance	271	275	11	....	....	....	....
Proposed Legislation (non-PAYGO)	....	....	273	280	294	306	320
Subtotal, Trade adjustment assistance	271	275	284	280	294	306	320
Total, Unemployment compensation	20,742	25,439	28,330	29,024	30,844	32,503	34,290
Housing assistance:							
Mandatory housing assistance programs	12	41	40	40	40	40	40
Food and nutrition assistance:							
Food stamps (including Puerto Rico)	18,290	19,714	20,911	21,820	22,536	23,457	24,353

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
State child nutrition programs	9,188	9,886	10,333	10,935	11,502	12,022	12,562
Funds for strengthening markets, income, and supply (Sec.32)	542	749	636	637	637	637	637
Total, Food and nutrition assistance	28,020	30,349	31,880	33,392	34,675	36,116	37,552
Other income support:							
Supplemental security income (SSI)	31,065	27,852	31,507	32,862	34,289	38,364	37,296
Family support payments	2,906	3,439	3,453	3,742	4,110	4,405	4,649
Federal share of child support collections	–913	–896	–878	–887	–899	–927	–972
Temporary assistance for needy families and related programs	15,464	17,080	17,260	17,360	17,750	18,020	18,170
Proposed Legislation (PAYGO)	....	....	....	400	300	150	....
Subtotal, Temporary assistance for needy families and related programs	15,464	17,080	17,260	17,760	18,050	18,170	18,170
Child care entitlement to states	2,237	2,423	2,555	2,658	2,749	2,806	2,841
Earned income tax credit (EITC)	26,099	25,923	26,983	27,875	28,545	29,373	30,165
Child tax credit	809	790	760	720	660	630	590
Proposed Legislation (PAYGO)	....	....	....	215	453	710	960
Subtotal, Child tax credit	809	790	760	935	1,113	1,340	1,550
Other assistance	71	45	43	50	59	57	57
SSI recoveries and receipts	–1,637	–1,561	–1,730	–1,801	–1,894	–2,100	–2,041
Total, Other income support	76,101	75,095	79,953	83,194	86,122	91,488	91,715
Total, Mandatory	206,481	217,157	228,799	237,923	247,314	259,365	266,736
Total, Income security	247,895	262,617	275,675	285,933	295,916	308,774	317,120
650 Social security:							
Discretionary:							
Social security:							
Old-age and survivors insurance (OASI)administrative expenses (Off-budget)	1,800	2,042	1,914	1,934	1,978	2,022	2,067
Disability insurance (DI) administrative expenses (Off-budget)	1,575	1,564	1,611	1,638	1,676	1,713	1,751
Office of the Inspector General—Social Security Adm. (On-budget)	13	17	19	21	20	20	20
Total, Discretionary	3,388	3,623	3,544	3,593	3,674	3,755	3,838
Mandatory:							
Social security:							
Old-age and survivors insurance (OASI)(Off-budget)	351,609	371,714	388,127	405,228	423,458	443,029	464,225

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Disability insurance (DI)(Off-budget)	54,437	59,122	63,034	68,316	74,509	81,283	88,725
Quinquennial OASI and DI adjustments (On-budget)	....	–836	....	....	....	....	....
Intragovernmental transactions (On-budget)	13,254	12,541	14,148	14,876	16,076	17,230	18,428
Impact of tax cut (On-budget) (Proposed Legislation non-PAYGO)	....	....	–140	–418	–645	–921	–1,169
Intragovernmental transactions (Off-budget)	–13,252	–12,541	–13,734	–14,876	–16,076	–17,230	–18,428
Impact of tax cut (Off-budget) (Proposed Legislation non-PAYGO)	....	....	140	418	645	921	1,169
Total, Mandatory	406,048	430,000	451,575	473,544	497,967	524,312	552,950
Total, Social security	409,436	433,623	455,119	477,137	501,641	528,067	556,788
700 Veterans benefits and services:							
Discretionary:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	2	2	2	2	2	2
Veterans education, training, and rehabilitation:							
Loan fund program account	1	1	....	....	....	....	....
Veterans employment and training	–1	2	17	25	25	26	26
Total, Veterans education, training, and rehabilitation	....	3	17	25	25	26	26
Hospital and medical care for veterans:							
Medical care and hospital services	19,637	21,011	22,047	22,529	23,034	23,522	24,045
Collections for medical care	–573	–608	–620	–630	–640	–650	–660
Construction for medical care, benefits, and cemeteries	454	397	371	361	408	418	436
Total, Hospital and medical care for veterans	19,518	20,800	21,798	22,260	22,802	23,290	23,821
Veterans housing:							
Housing program loan administrative expenses	158	163	167	171	174	178	182
Proposed Legislation (non-PAYGO)	....	....	–1	–1	–1	–1	–1
Total, Veterans housing	158	163	166	170	173	177	181
Other veterans benefits and services:							
National Cemetery Administration	95	109	120	123	126	129	132
General operating expenses	881	1,166	1,184	1,219	1,246	1,274	1,303

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other operating expenses	100	116	134	140	147	145	148
Total, Other veterans benefits and services	1,076	1,391	1,438	1,482	1,519	1,548	1,583
Total, Discretionary	20,753	22,359	23,421	23,939	24,521	25,043	25,613
Mandatory:							
Income security for veterans:							
Special benefits for certain World War II veterans	1	9	8	8	7	6	5
Compensation, Pensions and Burial benefits	23,820	21,238	24,855	26,316	27,803	31,783	30,358
Proposed Legislation (PAYGO)	....	....	....	–15	–43	–66	–91
Subtotal, Compensation, Pensions and Burial benefits	23,820	21,238	24,855	26,301	27,760	31,717	30,267
National service life insurance trust fund	1,241	1,290	1,322	1,337	1,338	1,319	1,305
All other insurance programs	11	29	36	46	53	59	71
Insurance program receipts	–202	–191	–180	–169	–157	–143	–129
Total, Income security for veterans	24,871	22,375	26,041	27,523	29,001	32,958	31,519
Veterans education, training, and rehabilitation:							
Readjustment benefits (Montgomery GI Bill and related programs)	1,497	1,970	2,136	2,201	2,283	2,402	2,513
Post-Vietnam era education	9	13	10	10	10	10	10
All-volunteer force educational assistance trust fund	–164	–296	–211	–221	–242	–269	–312
Total, Veterans education, training, and rehabilitation	1,342	1,687	1,935	1,990	2,051	2,143	2,211
Hospital and medical care for veterans:							
Fees, charges and other mandatory medical care	–2	–3	–17	–17	–3	–4	–4
Veterans housing:							
Housing program loan subsidies	1,503	357	213	245	248	256	245
Proposed Legislation (PAYGO)	....	....	–15	–38	–37	–41	–42
Subtotal, Housing program loan subsidies	1,503	357	198	207	211	215	203
Housing program loan reestimates	–1,064	–1,420	....	....	....	....	....

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Housing program loan liquidating account	–255	–87	–71	–61	–53	–45	–42
Proposed Legislation (PAYGO)	....	....	34	29	25	20	16
Subtotal, Housing program loan liquidating account	–255	–87	–37	–32	–28	–25	–26
Total, Veterans housing	184	–1,150	161	175	183	190	177
Other veterans programs:							
National homes, Battle Monument contributions and other	–65	95	41	30	32	33	34
Total, Mandatory	26,330	23,004	28,161	29,701	31,264	35,320	33,937
Total, Veterans benefits and services	47,083	45,363	51,582	53,640	55,785	60,363	59,550
750 Administration of justice:							
Discretionary:							
Federal law enforcement activities:							
Criminal investigations (DEA, FBI, FinCEN, ICDE)	4,597	4,578	4,710	5,120	5,164	5,260	5,375
Alcohol, tobacco, and firearms investigations (ATF)	557	768	823	848	838	857	876
Border enforcement activities (Customs and INS)	4,865	5,547	5,738	6,050	6,318	6,439	6,568
Equal Employment Opportunity Commission	290	306	315	316	323	330	338
Tax law, criminal investigations (IRS)	377	374	389	398	407	416	425
Other law enforcement activities	1,483	2,147	1,878	1,835	1,832	1,877	1,913
Total, Federal law enforcement activities	12,169	13,720	13,853	14,567	14,882	15,179	15,495
Federal litigative and judicial activities:							
Civil and criminal prosecution and representation	2,681	2,797	3,100	3,243	3,335	3,424	3,513
Representation of indigents in civil cases	303	327	329	336	344	351	359
Federal judicial and other litigative activities	3,688	4,112	4,637	4,799	4,820	4,934	5,054
Total, Federal litigative and judicial activities	6,672	7,236	8,066	8,378	8,499	8,709	8,926
Correctional activities:							
Federal prison system and detention trustee program	3,669	4,241	4,283	4,824	4,922	4,919	5,033
Criminal justice assistance:							
Crime victims fund obligation limit	....	–1	–605	123	292	161	30

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Law enforcement assistance, community policing, and other justice programs	4,314	3,561	5,228	6,373	4,334	3,715	3,784
Total, Criminal justice assistance	4,314	3,560	4,623	6,496	4,626	3,876	3,814
Total, Discretionary	26,824	28,757	30,825	34,265	32,929	32,683	33,268
Mandatory:							
Federal law enforcement activities:							
Assets forfeiture fund	496	529	429	495	347	354	362
Border enforcement activities (Customs and INS)	1,576	2,030	2,409	2,351	2,237	2,246	2,282
INS fees	–1,483	–2,262	–2,240	–2,176	–1,686	–1,681	–1,676
Customs fees	–1,282	–1,303	–1,343	–1,395	–3	–3	–3
Other mandatory law enforcement programs	637	513	523	537	541	546	550
Total, Federal law enforcement activities	–56	–493	–222	–188	1,436	1,462	1,515
Federal litigative and judicial activities:							
Federal judicial officers salaries and expenses and other mandatory programs	594	470	547	548	559	575	588
Correctional activities:							
Mandatory programs	38	–3	–3	–4	–5	–5	–5
Criminal justice assistance:							
Crime victims fund	392	666	1,103	727	518	400	400
Public safety officers' benefits	28	33	33	34	35	35	36
Total, Criminal justice assistance	420	699	1,136	761	553	435	436
Total, Mandatory	996	673	1,458	1,117	2,543	2,467	2,534
Total, Administration of justice	27,820	29,430	32,283	35,382	35,472	35,150	35,802
800 General government:							
Discretionary:							
Legislative functions:							
Legislative branch discretionary programs	2,124	2,291	2,568	2,613	2,608	2,661	2,717
Executive direction and management:							
Drug control programs	346	383	517	490	475	487	504
Executive Office of the President	283	289	309	322	328	334	347
Presidential transition and former Presidents	2	10	4	4	4	4	4
Total, Executive direction and management	631	682	830	816	807	825	855
Central fiscal operations:							
Tax administration	7,950	8,592	8,931	9,138	9,406	9,615	9,829

Table 22–2. Outlays by Function, Category, and Program—Continued
(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other fiscal operations	504	954	921	913	906	920	943
Total, Central fiscal operations	8,454	9,546	9,852	10,051	10,312	10,535	10,772
General property and records management:							
Real property activities	–84	383	–101	74	184	214	145
Records management	199	301	313	284	264	268	274
Other general and records management	155	249	210	234	217	188	190
Total, General property and records management	270	933	422	592	665	670	609
Central personnel management:							
Discretionary central personnel management programs	184	171	174	181	184	189	194
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	353	351	191	180	184	191	194
Payments to States and counties from Federal land management activities	11	11	11	11	11	12	12
Payments in lieu of taxes	133	200	150	153	157	160	164
Other	1						
Total, General purpose fiscal assistance	498	562	352	344	352	363	370
Other general government:							
Discretionary programs	252	315	305	302	294	303	309
Total, Discretionary	12,413	14,500	14,503	14,899	15,222	15,546	15,826
Mandatory:							
Legislative functions:							
Congressional members compensation and other	98	111	117	122	115	105	105
Central fiscal operations:							
Federal financing bank	34	21	15	18	21	25	28
Other mandatory programs	–143	–54	–105	–118	–118	–108	–106
Total, Central fiscal operations	–109	–33	–90	–100	–97	–83	–78
General property and records management:							
Mandatory programs	–24	36	23	21	22	23	17
Offsetting receipts	–21	–67	–28	–32	–27	–26	–24
Total, General property and records management	–45	–31	–5	–11	–5	–3	–7
General purpose fiscal assistance:							
Payments and loans to the District of Columbia	8						

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Payments to States and counties	1,016	1,335	1,496	1,502	1,518	1,534	1,533
Tax revenues for Puerto Rico (Treasury, BATF)	387	411	347	331	331	331	331
Arctic National Wildlife Refuge—Payment to Alaska (Proposed Legislation PAYGO)	....	....	....	....	1,201	1	1
Other general purpose fiscal assistance	175	123	125	122	123	123	123
Total, General purpose fiscal assistance	1,586	1,869	1,968	1,955	3,173	1,989	1,988
Other general government:							
Territories	176	184	211	210	211	209	185
Treasury claims	1,815	1,223	1,000	1,000	1,000	1,000	1,000
Presidential election campaign fund	211	5	....	30	218	3	....
Other mandatory programs	–213	392	–10	–11	–10	–11	–11
Proposed Legislation (non-PAYGO)	....	....	7	....	....	....	....
Subtotal, Other mandatory programs	–213	392	–3	–11	–10	–11	–11
Total, Other general government	1,989	1,804	1,208	1,229	1,419	1,201	1,174
Deductions for offsetting receipts:							
Offsetting receipts	–2,478	–1,386	–1,393	–1,386	–1,386	–1,386	–1,386
Total, Mandatory	1,041	2,334	1,805	1,809	3,219	1,823	1,796
Total, General government	13,454	16,834	16,308	16,708	18,441	17,369	17,622
900 Net interest:							
Mandatory:							
Interest on Treasury debt securities (gross):							
Interest on Treasury debt securities (gross)	361,978	357,907	350,947	350,572	352,615	352,574	352,981
Proposed Legislation (non-PAYGO)	....	....	4	–55	–125	–208	–291
Total, Interest on Treasury debt securities (gross)	361,978	357,907	350,951	350,517	352,490	352,366	352,690
Interest received by on-budget trust funds:							
Civil service retirement and disability fund	–33,608	–35,108	–36,531	–37,946	–39,360	–40,467	–41,635
Military retirement	–12,251	–12,413	–12,626	–12,850	–13,082	–13,323	–13,573
SMI interest	–3,160	–3,033	–2,733	–2,688	–2,628	–2,508	–2,573
HI interest	–10,470	–12,285	–13,749	–15,465	–17,601	–19,978	–22,579

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other on-budget trust funds	–9,624	–10,823	–10,678	–11,323	–12,024	–12,698	–13,274
Proposed Legislation (non-PAYGO)	....	....	1	76	162	261	359
Subtotal, Other on-budget trust funds	–9,624	–10,823	–10,677	–11,247	–11,862	–12,437	–12,915
Total, Interest received by on-budget trust funds	–69,113	–73,662	–76,316	–80,196	–84,533	–88,713	–93,275
Interest received by off-budget trust funds:							
Interest received by social security trust funds	–59,796	–68,886	–76,086	–85,421	–95,855	–107,348	–120,111
Other interest:							
Interest on loans to Federal Financing Bank	–1,974	–2,035	–2,136	–1,830	–2,160	–2,387	–2,535
Interest on refunds of tax collections	2,684	2,791	2,913	3,025	3,143	3,221	3,297
Payment to the Resolution Funding Corporation	1,164	1,728	1,357	2,124	2,231	2,117	2,188
Interest paid to loan guarantee financing accounts	4,287	3,787	3,734	3,731	3,748	3,759	3,787
Interest received from direct loan financing accounts	–9,129	–10,279	–11,339	–12,013	–12,909	–13,668	–14,188
Interest on deposits in tax and loan accounts	–1,785	–1,455	–1,340	–1,340	–1,340	–1,340	–1,340
Interest received from Outer Continental Shelf escrow account, Interior	–1,352	....	....	....	....	....	....
All other interest	–3,746	–3,527	–3,607	–3,353	–3,322	–3,328	–3,313
Total, Other interest	–9,851	–8,990	–10,418	–9,656	–10,609	–11,626	–12,104
Total, Net interest	223,218	206,369	188,131	175,244	161,493	144,679	127,200
920 Allowances:							
Discretionary:							
National emergency reserve	....	....	2,600	4,214	4,970	5,642	5,963
Adjustments to certain accounts	....	....	–249	–273	–282	–288	–295
Total, Allowances	....	....	2,351	3,941	4,688	5,354	5,668
950 Undistributed offsetting receipts:							
Mandatory:							
Employer share, employee retirement (on-budget):							
Contributions to HI trust fund	–2,630	–2,693	–2,809	–2,940	–3,079	–3,244	–3,381
Contributions to military retirement fund	–11,402	–11,369	–12,166	–12,622	–13,098	–13,567	–14,040
Postal Service contributions to Civil Service Retirement and Disability Fund	–6,445	–6,768	–6,854	–6,975	–7,111	–7,249	–7,327
Employing agency contributions, DoD Retiree Health Care Fund	....	....	....	–2,943	–3,072	–3,211	–3,355

Table 22–2. Outlays by Function, Category, and Program—Continued

(In millions of dollars)

Function and Program	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
Other contributions to civil and foreign service retirement and disability fund	–9,737	–10,446	–10,813	–10,723	–11,316	–11,990	–12,699
Proposed Legislation (non-PAYGO)	....	....	....	–469	–482	–449	–415
Subtotal, Other contributions to civil and foreign service retirement and disability fund	–9,737	–10,446	–10,813	–11,192	–11,798	–12,439	–13,114
Total, Employer share, employee retirement (on-budget)	–30,214	–31,276	–32,642	–36,672	–38,158	–39,710	–41,217
Employer share, employee retirement (off-budget):							
Contributions to social security trust funds	–7,637	–7,877	–8,917	–9,161	–9,868	–10,706	–11,443
Rents and royalties on the Outer Continental Shelf:							
OCS Receipts	–4,580	–6,931	–5,884	–5,358	–5,185	–4,971	–4,836
Sale of major assets:							
Privatization of Elk Hills	....	....	....	–323	....	....	....
Other undistributed offsetting receipts:							
Spectrum auction	–150	–1,572	–4,360	–9,665	–9,670	–1,275	–680
Proposed Legislation (PAYGO)	....	....	2,600	1,000	–5,100	–2,000	–4,000
Subtotal, Spectrum auction	–150	–1,572	–1,760	–8,665	–14,770	–3,275	–4,680
Analog spectrum lease fee (Proposed Legislation PAYGO)	....	....	–200	–200	–200	–200	–200
Arctic National Wildlife Refuge (Proposed Legislation PAYGO)	....	....	....	....	–2,402	–2	–2
Total, Other undistributed offsetting receipts	–150	–1,572	–1,960	–8,865	–17,372	–3,477	–4,882
Total, Undistributed offsetting receipts	–42,581	–47,656	–49,403	–60,379	–70,583	–58,864	–62,378
Total	1,788,826	1,856,238	1,960,564	2,016,226	2,076,718	2,168,745	2,223,902
On-budget	(1,458,061)	(1,508,504)	(1,601,414)	(1,648,652)	(1,696,970)	(1,776,379)	(1,817,759)
Off-budget	(330,765)	(347,734)	(359,150)	(367,574)	(379,748)	(392,366)	(406,143)

Table 22–3. Direct and Guaranteed Loans by Function

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
NATIONAL DEFENSE:			
DIRECT LOANS:			
Defense Loans:			
Loan disbursements	....	32	72
Outstandings	....	30	96
GUARANTEED LOANS:			
Defense Loans:			
New guaranteed loans	47	39	120
Outstandings	69	102	215
INTERNATIONAL AFFAIRS:			
DIRECT LOANS:			
Public Law 480:			
Loan disbursements	....	....	....
Outstandings	8,542	7,588	7,353
Foreign Military Financing Loans:			
Loan disbursements	436	589	338
Outstandings	6,012	5,762	5,241
Overseas Private Investment Corporation:			
Loan disbursements	4	23	38
Outstandings	58	52	56
USAID Development Assistance Loans:			
Loan disbursements	....	155	133
Outstandings	10,128	9,218	8,508
Export-Import Bank:			
Loan disbursements	1,123	1,458	1,513
Outstandings	11,126	10,940	11,264
Other, International Affairs:			
Loan disbursements	8	27	25
Outstandings	106	131	154
Total, direct loans:			
Loan disbursements	1,571	2,252	2,047
Outstandings	35,972	33,691	32,576
GUARANTEED LOANS:			
Foreign Military Financing Loans:			
New guaranteed loans	....	....	....
Outstandings	4,551	4,194	3,844
Loan Guarantees to Israel:			
New guaranteed loans	....	....	....
Outstandings	9,226	9,226	9,226
Overseas Private Investment Corporation:			
New guaranteed loans	426	500	525
Outstandings	3,142	3,353	3,628
USAID Development Assistance Loans:			
New guaranteed loans	87	162	161
Outstandings	2,299	2,187	2,163
Export-Import Bank:			
New guaranteed loans	10,930	10,448	10,858
Outstandings	29,782	33,742	33,220
Total, guaranteed loans:			
New guaranteed loans	11,443	11,110	11,544
Outstandings	49,000	52,702	52,081
ENERGY:			
DIRECT LOANS:			
Rural electrification and telecommunications:			
Loan disbursements	1,408	1,875	2,225
Outstandings	30,864	30,541	30,740
Other, Energy:			
Loan disbursements	15	21	21

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Outstandings	56	62	68
Total, direct loans:			
Loan disbursements	1,423	1,896	2,246
Outstandings	30,920	30,603	30,808
GUARANTEED LOANS:			
Rural electrification and telecommunications:			
New guaranteed loans	152	52	105
Outstandings	550	575	653
NATURAL RESOURCES AND ENVIRONMENT:			
DIRECT LOANS:			
Water and related resources:			
Loan disbursements	....	....	....
Outstandings	3	2	2
Natural Resources and Environment:			
Loan disbursements	21	33	29
Outstandings	280	302	321
Total, direct loans:			
Loan disbursements	21	33	29
Outstandings	283	304	323
GUARANTEED LOANS:			
Presidio Trust:			
New guaranteed loans	....	....	50
Outstandings	....	....	49
AGRICULTURE:			
DIRECT LOANS:			
Agricultural credit insurance fund:			
Loan disbursements	1,149	780	855
Outstandings	8,976	8,315	7,716
Farm storage facility direct loans:			
Loan disbursements	32	174	126
Outstandings	32	195	285
Apple loans:			
Loan disbursements	....	100	....
Outstandings	....	100	67
Emergency boll weevil direct loans:			
Loan disbursements	....	10	....
Outstandings	....	10	9
Commodity credit corporation fund:			
Loan disbursements	9,691	8,689	9,171
Outstandings	3,464	2,238	1,795
Public Law 480:			
Loan disbursements	133	527	240
Outstandings	2,616	3,069	3,233
Financial Assistance Corp. Loans:			
Loan disbursements	....	....	....
Outstandings	883	868	853
Total, direct loans:			
Loan disbursements	11,005	10,280	10,392
Outstandings	15,971	14,795	13,958
GUARANTEED LOANS:			
Agricultural credit insurance fund:			
New guaranteed loans	2,591	2,700	2,879
Outstandings	9,072	10,617	12,336
Commodity credit corporation export guarantees:			
New guaranteed loans	2,844	3,792	3,904
Outstandings	6,483	6,186	6,112

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Other, Agriculture:			
New guaranteed loans	....	....	....
Outstandings	24	24	24
Total, guaranteed loans:			
New guaranteed loans	5,435	6,492	6,783
Outstandings	15,579	16,827	18,472
COMMERCE AND HOUSING CREDIT:			
DIRECT LOANS:			
Rural Housing insurance fund:			
Loan disbursements	1,241	1,283	1,283
Outstandings	28,419	28,260	28,080
FHA-Mutual mortgage and cooperative housing insurance:			
Loan disbursements	3	248	245
Outstandings	3	177	282
FHA-General and special risk insurance:			
Loan disbursements	....	4	4
Outstandings	45	24	14
Housing for the elderly or handicapped fund:			
Loan disbursements	6	5	5
Outstandings	7,923	7,777	7,595
GNMA-Guarantees of mortgage-backed securities:			
Loan disbursements	42	38	2
Outstandings	109	65	49
SBA-Business Loans:			
Loan disbursements	20	22	18
Outstandings	485	286	208
Spectrum Auction Direct Loans:			
Loan disbursements	1	....	....
Outstandings	8,177	8,139	8,101
FSLIC resolution fund:			
Loan disbursements	....	....	....
Outstandings	4	....	....
Other, Commerce and Housing Credit:			
Loan disbursements	9	125	45
Outstandings	208	300	310
Total, direct loans:			
Loan disbursements	1,322	1,725	1,602
Outstandings	45,373	45,028	44,639
GUARANTEED LOANS:			
Rural Housing insurance fund:			
New guaranteed loans	2,243	2,870	3,004
Outstandings	11,319	13,340	15,355
Emergency oil and gas guaranteed loans:			
New guaranteed loans	....	5	....
Outstandings	....	5	3
Emergency steel guaranteed loans:			
New guaranteed loans	....	516	....
Outstandings	....	516	413
FHA-Mutual mortgage and cooperative housing insurance:			
New guaranteed loans	86,274	106,016	119,712
Outstandings	449,579	509,842	552,109
FHA-General and special risk insurance:			
New guaranteed loans	12,507	15,175	15,732
Outstandings	98,889	100,628	103,522
GNMA-Guarantees of mortgage-backed securities:			
New guaranteed loans	105,518	96,262	103,199
Outstandings	602,887	620,394	631,962
SBA-Business Loans:			
New guaranteed loans	12,150	10,489	9,111
Outstandings	33,749	29,150	31,878

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Other, Commerce and Housing Credit:			
New guaranteed loans	5	7	7
Outstandings	143	130	115
Total, guaranteed loans:			
New guaranteed loans	218,697	231,340	250,765
Outstandings	1,196,566	1,274,005	1,335,357
TRANSPORTATION:			
DIRECT LOANS:			
Transportation infrastructure finance and innovation program direct loans:			
Loan disbursements	300	239	599
Outstandings	300	539	1,138
Alameda corridor direct loans:			
Loan disbursements	....	....	....
Outstandings	488	....	....
Other, Transportation:			
Loan disbursements	23	164	110
Outstandings	194	325	394
Total, direct loans:			
Loan disbursements	323	403	709
Outstandings	982	864	1,532
GUARANTEED LOANS:			
Minority business resource center:			
New guaranteed loans	....	14	18
Outstandings	....	14	25
Transportation infrastructure finance and innovation program loan guarantees:			
New guaranteed loans	....	....	200
Outstandings	....	....	200
Maritime Loan Guarantees:			
New guaranteed loans	886	620	200
Outstandings	4,325	4,651	4,601
Total, guaranteed loans:			
New guaranteed loans	886	634	418
Outstandings	4,325	4,665	4,826
COMMUNITY AND REGIONAL DEVELOPMENT:			
DIRECT LOANS:			
Distance learning and medical link loans:			
Loan disbursements	1	32	113
Outstandings	2	31	133
Rural development insurance fund:			
Loan disbursements	1	....	....
Outstandings	3,269	3,078	2,899
Rural water and waste disposal direct loans:			
Loan disbursements	668	740	800
Outstandings	3,942	4,626	5,360
Rural telephone bank loans:			
Loan disbursements	43	124	136
Outstandings	1,192	1,183	1,227
Rural community facility direct loans:			
Loan disbursements	154	209	264
Outstandings	864	1,048	1,280
Community development loan guarantees:			
Loan disbursements	....	....	....
Outstandings	13	13	13
SBA, Disaster Loans:			
Loan disbursements	942	947	485
Outstandings	5,897	4,321	3,118

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Other, Community and Regional Development:			
Loan disbursements	82	128	120
Outstandings	911	967	1,005
Total, direct loans:			
Loan disbursements	1,891	2,180	1,918
Outstandings	16,090	15,267	15,035
GUARANTEED LOANS:			
Rural development insurance fund:			
New guaranteed loans	1	....	....
Outstandings	109	85	67
Rural community facility guaranteed loans:			
New guaranteed loans	63	135	155
Outstandings	225	347	484
Rural business and industry guaranteed loans:			
New guaranteed loans	967	2,091	1,777
Outstandings	3,180	4,991	6,444
Community development loan guarantees:			
New guaranteed loans	322	500	400
Outstandings	1,799	2,024	2,201
Other, Community and Regional Development:			
New guaranteed loans	65	72	118
Outstandings	215	257	338
Total, guaranteed loans:			
New guaranteed loans	1,418	2,798	2,450
Outstandings	5,528	7,704	9,534
EDUCATION, TRAINING, EMPLOYMENT, AND SOCIAL SERVICES:			
DIRECT LOANS:			
Historically black college and university capital financing:			
Loan disbursements	10	9	15
Outstandings	21	30	44
Student financial assistance:			
Loan disbursements	25	25	25
Outstandings	394	377	364
Federal direct student loan program:			
Loan disbursements	16,383	19,027	16,539
Outstandings	57,713	74,077	86,853
Other, Education, Training, Employment and Social Services:			
Loan disbursements	7	....	....
Outstandings	510	470	435
Total, direct loans:			
Loan disbursements	16,425	19,061	16,579
Outstandings	58,638	74,954	87,696
GUARANTEED LOANS:			
Federal family education loans:			
New guaranteed loans	26,602	29,501	30,742
Outstandings	144,225	152,680	160,042
HEALTH:			
DIRECT LOANS:			
Other, Health:			
Loan disbursements	....	....	....
Outstandings	11	3	....
GUARANTEED LOANS:			
Health Professions Graduate Student Loans:			
New guaranteed loans	....	....	....
Outstandings	2,802	2,683	2,553

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Health maintenance organization loan and loan guarantee fund:			
New guaranteed loans	....	....	....
Outstandings	1	....	....
Other, Health:			
New guaranteed loans	5	32	21
Outstandings	29	40	58
Total, guaranteed loans:			
New guaranteed loans	5	32	21
Outstandings	2,832	2,723	2,611
INCOME SECURITY:			
DIRECT LOANS:			
Low-rent public housing—loans and other expenses:			
Loan disbursements	....	....	....
Outstandings	1,350	1,279	1,208
Other, Income Security:			
Loan disbursements	17	20	12
Outstandings	704	649	586
Total, direct loans:			
Loan disbursements	17	20	12
Outstandings	2,054	1,928	1,794
GUARANTEED LOANS:			
Low-rent public housing—loans and other expenses:			
New guaranteed loans	....	....	....
Outstandings	2,742	2,458	2,174
Other, Income Security:			
New guaranteed loans	19	33	59
Outstandings	61	90	142
Total, guaranteed loans:			
New guaranteed loans	19	33	59
Outstandings	2,803	2,548	2,316
VETERANS BENEFITS AND SERVICES:			
DIRECT LOANS:			
Miscellaneous veterans housing loans:			
Loan disbursements	2	3	3
Outstandings	17	19	20
Veterans Housing Loans:			
Loan disbursements	1,447	1,706	1,718
Outstandings	1,720	2,208	2,292
Other, Veterans Benefits:			
Loan disbursements	2	3	3
Outstandings	1	1	1
Total, direct loans:			
Loan disbursements	1,451	1,712	1,724
Outstandings	1,738	2,228	2,313
GUARANTEED LOANS:			
Veterans Housing Loans:			
New guaranteed loans	20,159	29,548	28,969
Outstandings	224,308	234,789	244,468
GENERAL GOVERNMENT:			
DIRECT LOANS:			
Payments to the United States territories, fiscal assistance:			
Loan disbursements	....	....	....
Outstandings	15	13	11
Assistance to American Samoa:			
Loan disbursements	....	16	3

Table 22–3. Direct and Guaranteed Loans by Function—Continued

(In millions of dollars)

Function	2000 Actual	Estimate 2001	Estimate 2002
Outstandings	....	15	17
Columbia Hospital for Women:			
Loan disbursements	14	....	....
Outstandings	14	14	14
Total, direct loans:			
Loan disbursements	14	16	3
Outstandings	29	42	42
DIRECT LOANS:			
Loan disbursements	35,463	39,610	37,333
Outstandings	208,061	219,737	230,812
GUARANTEED LOANS:			
New guaranteed loans	284,863	311,579	332,026
Outstandings	1,645,785	1,749,320	1,830,624

Table 22–4. Tax Expenditures by Function

(In millions of dollars)

Function and Provision	Total Revenue Loss 2000	2001	2002	2003	2004	2005	2006	Total 2002–2006
National Defense:								
Current law income tax expenditures:								
Exclusion of benefits, allowances, and certain pays to armed forces personnel	2,140	2,160	2,190	2,210	2,240	2,260	2,290	11,190
International affairs:								
Current law income tax expenditures:								
Exclusion of income earned abroad by U.S. citizens	2,500	2,680	2,850	3,010	3,180	3,350	3,550	15,940
Exclusion of certain allowances for Federal employees abroad	680	720	750	790	830	870	920	4,160
Exclusion of income of foreign sales corporations	3,890	....	....	....	....	....	....	....
Extraterritorial income exclusion	....	4,490	4,810	5,150	5,500	5,880	6,290	27,630
Inventory property sales source rules exception	2,170	2,280	2,390	2,510	2,630	2,760	2,900	13,190
Deferral of income from controlled foreign corporations (normal tax method)	6,200	6,600	7,000	7,450	7,900	8,400	8,930	39,680
Deferred taxes for financial firms on certain income earned overseas	1,190	1,290	540	....	....	....	....	540
Total, current law income tax expenditures	16,630	18,060	18,340	18,910	20,040	21,260	22,590	101,140
General science, space, and technology:								
Current law income tax expenditures:								
Expensing of research and experimentation expenditures (normal tax method)	1,680	1,650	1,680	1,770	1,880	1,980	2,100	9,410
Credit for increasing research activities	1,630	6,050	6,760	5,390	4,710	2,720	1,160	20,740
Total, current law income tax expenditures	3,310	7,700	8,440	7,160	6,590	4,700	3,260	30,150
Energy:								
Current law income tax expenditures:								
Expensing of exploration and development costs, fuels	20	70	70	100	110	110	100	490
Excess of percentage over cost depletion, fuels	340	340	340	340	340	350	350	1,720
Alternative fuel production credit	970	920	860	540	130	130	130	1,790
Exception from passive loss limitation for working interests in oil and gas properties	20	20	20	20	20	20	20	100
Capital gains treatment of royalties on coal	70	70	80	80	80	90	90	420
Exclusion of interest on energy facility bonds	90	90	90	100	110	130	140	570
Enhanced oil recovery credit	310	370	440	530	630	770	910	3,280
New technology credit	40	60	70	90	90	90	90	430
Alcohol fuel credits [1]	20	20	20	20	20	20	20	100
Tax credit and deduction for clean-fuel burning vehicles	60	60	50	30	....	–30	–50	....
Exclusion from income of conservation subsidies provided by public utilities	90	80	80	80	90	90	90	430
Total, current law income tax expenditures	2,030	2,100	2,120	1,930	1,620	1,770	1,890	9,330
Natural resources and environment:								
Current law income tax expenditures:								
Expensing of exploration and development costs, nonfuel minerals	20	20	20	20	20	20	20	100
Excess of percentage over cost depletion, nonfuel minerals	270	280	300	310	320	330	350	1,610
Exclusion of interest on bonds for water, sewage, and hazardous waste facilities	400	400	410	450	510	560	610	2,540
Capital gains treatment of certain timber income	70	70	80	80	80	90	90	420
Expensing of multiperiod timber growing costs	570	580	610	630	640	660	680	3,220
Investment credit and seven-year amortization for reforestation expenditures	....	....	....	....	10	10	10	30

Table 22–4. Tax Expenditures by Function—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2002–2006
	2000	2001	2002	2003	2004	2005	2006	
Tax incentives for preservation of historic structures	190	200	210	220	240	250	260	1,180
Total, current law income tax expenditures	1,520	1,550	1,630	1,710	1,820	1,920	2,020	9,100
Agriculture:								
Current law income tax expenditures:								
Expensing of certain capital outlays	160	160	160	170	170	180	180	860
Expensing of certain multiperiod production costs	110	110	120	120	120	130	130	620
Treatment of loans forgiven for solvent farmers	10	10	10	10	10	10	10	50
Capital gains treatment of certain income	700	740	780	820	860	900	950	4,310
Income averaging for farmers	50	50	50	50	60	60	60	280
Deferral of gain on sale of farm refiners	10	10	10	10	10	10	10	50
Total, current law income tax expenditures	1,040	1,080	1,130	1,180	1,230	1,290	1,340	6,170
Commerce and housing:								
Current law income tax expenditures:								
Financial institutions and insurance:								
Exemption of credit union income	1,550	1,650	1,770	1,890	2,020	2,160	2,280	10,120
Excess bad debt reserves of financial institutions	70	60	50	30	20	10	....	110
Exclusion of interest on life insurance savings	13,950	15,170	16,520	17,990	19,610	21,370	23,330	98,820
Special alternative tax on small property and casualty insurance companies	10	10	10	10	10	10	10	50
Tax exemption of certain insurance companies owned by tax-exempt organizations	230	240	250	270	280	300	310	1,410
Small life insurance company deduction	100	100	100	100	100	100	100	500
Housing:								
Exclusion of interest on owner-occupied mortgage subsidy bonds	790	800	820	870	990	1,090	1,200	4,970
Exclusion of interest on rental housing bonds	160	160	170	170	200	230	260	1,030
Deductibility of mortgage interest on owner-occupied homes	60,270	63,190	65,750	68,050	70,470	73,100	76,150	353,520
Deductibility of State and local property tax on owner-occupied homes	22,140	23,920	25,570	27,220	29,080	30,980	33,220	146,070
Deferral of income from post 1987 installment sales	1,010	1,035	1,050	1,070	1,090	1,110	1,130	5,450
Capital gains exclusion on home sales	18,540	19,095	19,670	20,260	20,870	21,490	22,140	104,430
Exception from passive loss rules for $25,000 of rental loss	4,720	4,450	4,220	4,000	3,790	3,600	3,410	19,020
Credit for low-income housing investments	3,210	3,310	3,460	3,600	3,790	3,940	4,080	18,870
Accelerated depreciation on rental housing (normal tax method)	4,740	5,140	5,520	5,830	6,040	6,140	6,210	29,740
Commerce:								
Cancellation of indebtedness	30	20	10	10	10	20	20	70
Exceptions from imputed interest rules	80	80	80	80	80	80	80	400
Capital gains (except agriculture, timber, iron ore, and coal) (normal tax method)	40,520	41,720	42,950	44,220	45,530	46,870	48,260	227,830
Capital gains exclusion of small corporation stock	40	70	90	120	160	200	250	820
Step-up basis of capital gains at death	27,090	28,240	29,370	30,540	31,760	33,030	34,360	159,060
Carryover basis of capital gains on gifts	180	190	200	210	220	230	240	1,100
Ordinary income treatment of loss from small business corporation stock sale	35	40	40	40	40	40	40	200
Accelerated depreciation of buildings other than rental housing (normal tax method)	3,260	3,170	3,290	2,880	2,860	2,730	3,220	14,980

Table 22–4. Tax Expenditures by Function—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2002–2006
	2000	2001	2002	2003	2004	2005	2006	
Accelerated depreciation of machinery and equipment (normal tax method)	30,660	33,050	35,400	37,680	39,760	41,530	43,330	197,700
Expensing of certain small investments (normal tax method)	2,100	2,570	2,690	2,670	2,570	2,480	2,510	12,920
Amortization of start-up costs (normal tax method)	200	200	200	210	220	220	220	1,070
Graduated corporation income tax rate (normal tax method)	6,480	6,700	7,140	7,460	7,540	7,760	7,960	37,860
Exclusion of interest on small issue bonds	290	300	310	330	360	410	450	1,860
Total, current law income tax expenditures	242,455	254,680	266,700	277,810	289,470	301,230	314,770	1,449,980
Transportation:								
Current law income tax expenditures:								
Deferral of tax on shipping companies	20	20	20	20	20	20	20	100
Exclusion of reimbursed employee parking expenses	1,880	1,980	2,090	2,190	2,300	2,420	2,550	11,550
Exclusion for employer-provided transit passes	190	220	260	310	350	400	440	1,760
Total, current law income tax expenditures	2,090	2,220	2,370	2,520	2,670	2,840	3,010	13,410
Community and regional development:								
Current law income tax expenditures:								
Investment credit for rehabilitation of structures (other than historic)	30	30	30	30	30	30	30	150
Exclusion of interest for airport, dock, and similar bonds	620	630	640	690	780	850	950	3,910
Exemption of certain mutuals' and cooperatives' income	60	60	60	60	60	70	70	320
Empowerment zones and enterprise communities	310	320	660	1,140	1,210	1,340	1,480	5,830
New markets tax credit	....	10	90	200	310	440	640	1,680
Expensing of environmental remediation costs	160	350	410	330	30	–130	–80	560
Total, current law income tax expenditures	1,180	1,400	1,890	2,450	2,420	2,600	3,090	12,450
Education, training, employment, and social services:								
Current law income tax expenditures:								
Education:								
Exclusion of scholarship and fellowship income (normal tax method)	1,110	1,120	1,130	1,140	1,150	1,160	1,180	5,760
HOPE tax credit	4,210	4,480	4,610	4,280	4,110	4,360	4,630	21,990
Lifetime Learning tax credit	2,420	2,570	2,580	2,960	4,490	4,460	4,660	19,150
Education Individual Retirement Accounts	20	30	50	60	80	100	120	410
Deductibility of student-loan interest	360	370	380	380	390	400	410	1,960
Deferral for state prepaid tuition plans	100	130	180	230	250	290	330	1,280
Exclusion of interest on student-loan bonds	210	230	230	240	270	290	330	1,360
Exclusion of interest on bonds for private nonprofit educational facilities	520	540	550	580	650	740	810	3,330
Credit for holders of zone academy bonds	10	20	40	50	60	70	70	290
Exclusion of interest on savings bonds redeemed to finance educational expenses	10	10	10	10	10	10	10	50
Parental personal exemption for students age 19 or over	950	1,010	1,070	1,110	1,170	1,220	1,270	5,840
Deductibility of charitable contributions (education)	2,730	2,830	2,930	3,090	3,200	3,300	3,540	16,060
Exclusion of employer-provided educational assistance	240	260	90	....	....	....	....	90
Training, employment, and social services:								
Work opportunity tax credit	390	400	300	180	80	30	10	600
Welfare-to-work tax credit	50	70	70	50	20	10	....	150
Exclusion of employer provided child care	670	700	730	760	810	850	900	4,050

Table 22–4. Tax Expenditures by Function—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss 2000	2001	2002	2003	2004	2005	2006	Total 2002–2006
Adoption assistance	120	130	120	30	30	20	20	220
Assistance for adopted foster children	160	190	210	240	250	260	270	1,230
Exclusion of employee meals and lodging (other than military)	680	710	740	780	810	850	890	4,070
Credit for disabled access expenditures	40	40	50	50	50	50	50	250
Deductibility of charitable contributions, other than education and health	20,150	21,020	22,030	23,160	24,240	25,380	26,780	121,590
Exclusion of certain foster care payments	550	570	300	630	660	700	730	3,020
Exclusion of parsonage allowances	330	350	370	400	430	460	490	2,150
Total, current law income tax expenditures	36,030	37,780	38,770	40,410	43,210	45,010	47,500	214,900
Health:								
Current law income tax expenditures:								
Exclusion of employer contributions for medical insurance premiums and medical care	76,530	84,350	92,230	99,800	107,620	115,770	124,690	540,110
Self-employed medical insurance premiums	1,340	1,510	1,760	2,470	3,580	3,900	4,220	15,930
Workers' compensation insurance premiums	4,620	4,850	5,090	5,350	5,620	5,900	6,190	28,150
Medical Savings Accounts	20	20	30	20	20	20	20	110
Deductibility of medical expenses	4,250	4,560	4,870	5,170	5,480	5,790	6,110	27,420
Exclusion of interest on hospital construction bonds	1,080	1,100	1,130	1,210	1,350	1,490	1,660	6,840
Deductibility of charitable contributions (health)	2,910	3,000	3,100	3,270	3,380	3,480	3,740	16,970
Tax credit for orphan drug research	100	110	130	140	160	180	200	810
Special Blue Cross/Blue Shield deduction	230	250	280	320	290	280	250	1,420
Total, current law income tax expenditures	91,080	99,750	108,620	117,750	127,500	136,810	147,080	637,760
Income security:								
Current law income tax expenditures:								
Exclusion of railroad retirement system benefits	360	360	360	360	360	360	360	1,800
Exclusion of workers' compensation benefits	5,120	5,560	5,810	6,070	6,320	6,600	6,900	31,700
Exclusion of public assistance benefits (normal tax method)	360	370	390	400	420	430	450	2,090
Exclusion of special benefits for disabled coal miners	80	70	70	60	60	60	50	300
Exclusion of military disability pensions	120	120	130	130	130	140	140	670
Net exclusion of pension contributions and earnings:								
Employer plans	89,120	93,220	97,510	103,010	108,480	114,220	121,990	545,210
Individual Retirement Accounts	15,200	15,920	16,600	17,230	17,770	18,220	18,520	88,340
Keogh plans	5,500	5,830	6,180	6,540	6,930	7,330	7,750	34,730
Exclusion of other employee benefits:								
Premiums on group term life insurance	1,720	1,750	1,780	1,830	1,860	1,900	1,930	9,300
Premiums on accident and disability insurance	200	210	220	230	240	250	260	1,200
Income of trusts to finance supplementary unemployment benefits	10	10	10	10	10	10	10	50
Special ESOP rules	1,240	1,290	1,340	1,400	1,460	1,540	1,610	7,350
Additional deduction for the blind	30	30	30	30	40	40	40	180
Additional deduction for the elderly	1,920	1,990	2,060	2,130	2,210	2,260	2,350	11,010
Tax credit for the elderly and disabled	30	30	30	30	30	30	30	150
Child credit [2]	19,330	19,310	18,980	18,410	18,000	17,430	16,790	89,610
Credit for child and dependent care expenses	2,390	2,360	2,330	2,300	2,280	2,250	2,220	11,380
Deductibility of casualty losses	230	250	260	280	290	300	320	1,450
Earned income tax credit [3]	4,644	4,692	4,963	5,225	5,456	5,688	5,965	27,297
Total, current law income tax expenditures	147,604	153,372	159,053	165,675	172,346	179,058	187,685	863,817
Social Security:								
Current law income tax expenditures:								
Exclusion of social security benefits:								
Social Security benefits for retired workers	18,250	19,070	19,930	20,520	21,050	21,840	22,780	106,120
Social Security benefits for disabled	2,640	2,880	3,160	3,490	3,910	4,360	4,840	19,760

Table 22–4. Tax Expenditures by Function—Continued

(In millions of dollars)

Function and Provision	Total Revenue Loss							Total 2002–2006
	2000	2001	2002	2003	2004	2005	2006	
Social Security benefits for dependents and survivors	3,910	4,030	4,210	4,440	4,730	5,070	5,380	23,830
Total, current law income tax expenditures	24,800	25,980	27,300	28,450	29,690	31,270	33,000	149,710
Veterans benefits and services:								
Current law income tax expenditures:								
Exclusion of veterans death benefits and disability compensation	3,090	3,290	3,460	3,640	3,820	4,010	4,210	19,140
Exclusion of veterans pensions	70	70	80	80	90	90	100	440
Exclusion of Montgomery GI bill benefits	80	90	90	100	100	110	110	510
Exclusion of interest on veterans housing bonds	40	40	40	40	40	50	50	220
Total, current law income tax expenditures	3,280	3,490	3,670	3,860	4,050	4,260	4,470	20,310
General purpose fiscal assistance:								
Current law income tax expenditures:								
Exclusion of interest on public purpose State and local bonds	22,600	23,050	23,510	23,980	24,460	24,950	25,450	122,350
Deductibility of nonbusiness state and local taxes other than on owner-occupied homes	42,650	45,730	48,730	51,780	55,030	58,390	62,160	276,090
Tax credit for corporations receiving income from doing business in U.S. possessions	2,470	2,520	2,560	2,580	2,610	2,630	1,060	11,440
Total, current law income tax expenditures	67,720	71,300	74,800	78,340	82,100	85,970	88,670	409,880
Interest:								
Current law income tax expenditures:								
Deferral of interest on U.S. savings bonds	470	490	520	540	570	600	630	2,860
Total, current law income tax expenditures	470	490	520	540	570	600	630	2,860

Notes:
Tax expenditure proposals are presented in Table S–10.
All current law tax expenditure estimates have been rounded to the nearest $10 million.
Current law tax expenditure estimates here are the arithmetic sums of corporate and individual income tax revenue loss estimates from Table 5–2 in Analytical Perspectives, and do not reflect possible interactions across these two taxes.
[1] In addition, the partial exemption from the excise tax for alcohol fuels results in a reduction in excise tax receipts (in millions of dollars) as follows: 2000 $840; 2001 $880; 2002 $930; 2003 $950; 2004 $960; 2005 $960; 2006 $960.
[2] The figures in the table indicate the effect of the child credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 2000 $809; 2001 $790; 2002 $760; 2003 $720; 2004 $660; 2005 $630; 2006 $590.
[3] The figures in the table indicate the effect of the earned income tax credit on receipts. The effect on outlays in (in millions of dollars) is as follows: 2000 $26,099; 2001 $25,923; 2002 $26,983; 2003 $27,875; 2004 $28,545; 2005 $29,373; 2006 $30,165.

IV. SUMMARY TABLES

Table S–1. President's 10-Year Plan

(In billions of dollars)

	Total 2002–2011
Baseline surplus	5,637
Social Security surplus	2,591
Tax relief	1,612
Additional needs, debt service, and contingencies:	
Immediate Helping Hand and Medicare modernization	153
Additional spending and other	19
Debt service	420
Contingencies	841
Memorandum:	
Maximum debt retirement	2,017

Table S-2. Proposed Policy

(In billions of dollars)

	Estimate											Totals	
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002–2006	2002–2011
Baseline unified surplus	284	283	334	387	439	515	585	651	725	814	903	1,958	5,637
Policy changes:													
Tax package	–*	–29	–66	–99	–132	–169	–193	–208	–221	–243	–251	–495	–1,612
Discretionary programs	–1	–8	–5	–6	–8	–4	1	–*	–1	–*	–1	–31	–28
Immediate Helping Hand and Medicare modernization	–3	–11	–13	–15	–13	–13	–13	–16	–17	–20	–24	–64	–153
Other mandatory initiatives and offsets	....	–2	–2	6	2	4	–1	–*	*	*	1	8	9
Debt service	–*	–2	–6	–12	–20	–29	–40	–54	–69	–86	–104	–68	–420
Total, policy changes	–3	–52	–92	–125	–170	–211	–246	–278	–305	–349	–377	–649	–2,204
Debt reduction and reserve for contingencies [1]	281	231	242	262	269	305	340	373	420	465	526	1,309	3,433

* $500 million or less.

[1] The actual amount of annual debt retirement will vary depending upon the availability of eligible redeemable debt, and the use, if any, of the contingency reserve.

Table S–3. Budget Summary

(In billions of dollars)

	Estimate											Total
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002–2011
Outlays:												
Discretionary	649	692	712	731	754	770	787	809	830	854	877	7,816
Mandatory:												
Social Security	430	452	474	498	524	553	584	618	656	698	744	5,801
Medicare	216	226	239	252	279	292	314	336	358	384	419	3,100
Medicaid	129	142	153	166	181	196	214	232	253	275	298	2,109
Other mandatory	226	260	264	268	286	285	296	312	324	336	349	2,981
Subtotal, mandatory	1,001	1,081	1,129	1,184	1,270	1,326	1,408	1,498	1,591	1,693	1,810	13,991
Net interest	206	188	175	161	145	127	109	90	69	46	20	1,130
Total outlays	1,856	1,961	2,016	2,077	2,169	2,224	2,303	2,398	2,490	2,593	2,706	22,938
Receipts	2,137	2,192	2,258	2,339	2,438	2,529	2,643	2,771	2,910	3,058	3,233	26,370
Unified surplus	281	231	242	262	269	305	340	373	420	465	526	3,433
On-budget surplus/contingency	125	59	49	52	32	52	69	85	117	142	184	841
Off-budget surplus	156	172	193	211	237	252	270	287	303	323	343	2,591

Table S–4. Bridge to 2002 Proposed Discretionary Spending

(Budget authority, dollar amounts in billions)

2001 Enacted	634.9
Department of Defense:	
Additions:	
Campaign initiatives	4.4
Pay, inflation, health, and other	9.7
Non-Department of Defense:	
Additions:	
Campaign initiatives	10.9
Pay and programmatic increases	9.3
National Emergency Reserve	5.6
Technical adjustments (contract renewals, new advances, etc.)	5.6
Offsets:	
Non-repetition of earmarked funding	–4.3
Non-repetition of one-time funding	–4.1
Program decreases	–11.5
2002 Total Discretionary	660.6
2002 Discretionary Baseline	660.6
Increase over 2001 Enacted	25.7
Percentage Increase	4.0%

Table S–5. Discretionary Policy Initiatives

(Budget authority, in billions of dollars)

	2002 Estimate	Totals	
		2002–2006	2002–2011
Strengthen and Reform Education	3.6	19.9	42.6
Revitalize National Defense	4.4	39.6	95.4
Champion Compassionate Conservatism	0.7	5.0	11.4
Assist Americans with Disabilities	0.3	1.4	3.0
Combat Crime and Drug Abuse	1.4	6.3	12.2
Create a Comprehensive Energy Policy and Protect the Environment	1.4	6.6	13.1
Strengthen Families.	0.3	1.4	2.5
Invest in Health Care..	2.9	33.5	77.5
Reform the Immigration System	0.2	1.2	2.1
Promote Volunteerism	0.2	1.3	2.9
Total, Discretionary Initiatives	**15.3**	**116.2**	**262.6**

Note: Totals in this table differ from those in *A Blueprint for New Beginnings* due to the subsequent development of detailed budget and outyear estimates.

Table S–6. Discretionary Budget Authority by Agency

(Dollar amounts in billions)

Agency	Actual			Estimate		Change: 2001 to 2002	Average Growth: 1998 to 2002
	1998	1999	2000	2001	2002		
Agriculture	15.8	16.5	17.1	19.3	17.9	–1.4	3.1%
Commerce [1]	4.2	5.4	8.7	5.1	4.8	–0.4	3.3%
Defense	259.8	274.6	287.3	296.3	310.5	14.1	4.5%
Education	29.8	28.8	29.4	39.9	44.5	4.6	10.6%
Energy	16.8	17.9	17.8	19.7	19.2	–0.5	3.4%
Health and Human Services	37.1	41.5	45.5	53.9	56.7	2.8	11.2%
Housing and Urban Development	20.1	22.5	21.1	28.5	30.4	1.9	10.9%
Interior	8.1	8.0	8.5	10.2	9.8	–0.4	5.1%
International Affairs Programs [2]	18.2	22.3	22.7	21.9	23.1	1.2	6.2%
Justice	17.6	18.4	18.8	20.9	19.9	–1.1	3.1%
Labor	10.7	11.0	8.8	11.9	11.3	–0.6	1.4%
Transportation	15.0	12.9	14.5	18.4	16.3	–2.1	2.0%
Treasury	11.5	12.8	12.5	14.0	14.7	0.7	6.4%
Veterans Affairs	18.9	19.2	20.9	22.4	23.4	1.0	5.5%
Corps of Engineers	4.2	4.1	4.1	4.5	3.9	–0.6	–1.7%
Environmental Protection Agency	7.4	7.6	7.6	7.8	7.3	–0.5	–0.2%
Federal Emergency Management Agency	2.4	2.9	3.9	2.4	2.2	–0.2	–2.4%
National Aeronautics and Space Administration	13.6	13.7	13.6	14.3	14.5	0.3	1.5%
National Science Foundation	3.4	3.7	3.9	4.4	4.5	0.1	6.8%
Small Business Administration	0.7	0.8	0.9	0.3	0.5	0.3	–6.9%
Social Security Administration	5.5	5.5	5.7	6.0	6.4	0.3	3.9%
Legal Services Corporation	0.3	0.3	0.3	0.3	0.3	....	3.8%
National Endowment for the Arts	0.1	0.1	0.1	0.1	0.1	....	1.7%
National Endowment for the Humanities	0.1	0.1	0.1	0.1	0.1	*	2.2%
Smithsonian Institution	0.4	0.4	0.4	0.5	0.5	*	5.3%
Other Agencies	10.2	11.4	10.4	11.7	12.2	0.5	4.4%
National Emergency Reserve	....	....	....	....	5.6	5.6	....
Total	531.9	562.2	584.4	634.9	660.6	25.7	5.6%

* $500 million or less.

[1] 2000 Commerce data includes funding for Census 2000.

[2] International Affairs Program totals do not include P.L. 480 Title II food aid, which is included in the totals for Agriculture; 1999 data is also adjusted to remove $18.2 billion in one-time funding for the International Monetary Fund.

Table S–7. Discretionary Proposals By Appropriations Subcommittee

(In billions of dollars)

Appropriations Subcommittee	2000 Enacted		2001 Estimate		2002 Proposed		Change: 2002 to 2000		Change: 2002 to 2001	
	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays	BA	Outlays
Agriculture and Rural Development	15.0	14.7	16.1	16.3	15.4	16.4	0.4	1.6	–0.7	0.1
Commerce, Justice, State, and the Judiciary	38.8	36.9	37.6	37.5	37.9	39.6	–1.0	2.7	0.2	2.1
Defense	278.8	273.5	287.5	276.2	301.0	296.1	22.1	22.6	13.4	19.9
District of Columbia	0.5	0.4	0.5	0.5	0.3	0.3	–0.1	–0.1	–0.1	–0.1
Energy and Water Development	21.6	21.7	23.6	23.3	22.5	23.2	0.9	1.4	–1.1	–0.1
Foreign Operations	16.2	14.8	14.9	15.7	15.2	15.7	–1.1	0.9	0.3	*
Interior and Related Agencies	15.4	15.6	19.0	17.9	18.1	18.3	2.7	2.7	–0.9	0.4
Labor, Health and Human Services, and Education	87.1	87.4	109.4	100.3	116.4	110.3	29.3	22.9	7.0	10.0
Legislative	2.5	2.5	2.7	2.6	3.0	3.0	0.5	0.5	0.3	0.3
Military Construction	8.7	8.5	9.0	8.9	9.6	8.6	1.0	0.1	0.7	–0.3
Transportation and Related Agencies	14.4	44.0	18.3	48.2	16.2	52.7	1.9	8.6	–2.0	4.4
Treasury and General Government	13.7	13.7	15.8	16.1	16.6	16.3	2.9	2.6	0.8	0.2
Veterans Affairs and Housing and Urban Development	71.8	81.1	80.7	85.9	83.1	89.0	11.4	8.0	2.4	3.1
Allowances	....	....	....	....	5.3	2.4	5.3	2.4	5.3	2.4
Total	584.4	614.8	634.9	649.4	660.6	691.7	76.2	76.9	25.7	42.4

* $500 million or less.

Table S–8. Proposed Discretionary Spending Limits

(In billions of dollars)

	Estimate					
	2001	2002	2003	2004	2005	2006
Original Balanced Budget Act Limits:						
Budget authority	542.0	552.8	1.9	2.1	2.2	2.4
Outlays	595.8	594.7	35.9	2.0	2.2	2.4
Spending in excess of Original Caps:						
Budget authority	92.9	107.8				
Outlays	53.6	97.0				
Actual and Proposed Discretionary Spending Limits: [1]						
Budget authority	634.9	660.6	685.1	702.7	720.1	737.9
Outlays	649.4	691.7	711.8	731.2	754.5	770.4

[1] Data for 2001 is a current estimate and is not a proposed discretionary spending limit.

Table S–9. Mandatory Proposals

(In millions of dollars)

	Estimate											Totals	
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002–2006	2002–2011
Immediate Helping Hand Prescription Drug Plan and Medicare Reform	2,500	11,200	12,900	14,800	12,500	12,800	13,400	15,500	16,700	19,700	23,500	64,200	153,000
Charity and other initiatives:													
Education:													
Expand Teacher Loan Forgiveness	....	11	5	5	5	6	6	6	6	7	7	32	64
HHS:													
Child Welfare Preventative Services	....	30	158	192	196	200	200	200	200	200	200	776	1,776
Education and Training for Older Foster Children	....	9	46	58	60	60	60	60	60	60	60	233	533
Charity State Tax Credit, TANF outlays	....	....	400	300	150	....	....	–200	–200	–200	–250	850	....
Interior:													
Use recreation fees to reduce NPS backlog (NPS/FWS/BLM)	....	....	–39	–2	49	80	134	92	44	....	....	88	358
Correct trust accounting deficiencies (individual Indian money investments)	....	7	....	....	....	....	....	....	....	....	....	7	7
Justice:													
Radiation exposure compensation	....	97	155	150	108	68	55	40	20	12	5	578	710
Treasury:													
Tax credits	....	81	2,129	1,674	2,619	2,987	3,424	3,423	3,385	3,342	3,302	9,490	26,366
Reclassification of advance appropriations:													
Postal Service	....	67	....	....	....	....	....	....	....	....	....	67	67
Elk Hills school lands fund	....	36	....	....	....	....	....	....	....	....	....	36	36
Total, other initiatives	....	338	2,854	2,377	3,187	3,401	3,879	3,621	3,515	3,421	3,324	12,157	29,917
Offsets:													
Agriculture:													
Long-term recreation fee program with four-year reauthorization	....	....	–25	–13	–2	–2	28	13	1	....	....	–42	....
Energy:													
ANWR, lease bonuses	....	....	....	–1,200	....	....	....	....	....	....	....	–1,200	–1,200
HHS:													
Medicaid savings proposals	....	–606	–1,071	–1,450	–1,844	–1,906	–1,965	–2,024	–2,098	–2,170	–2,242	–6,876	–17,374
Interior:													
ANWR, lease bonuses:													
State of Alaska's share:													
Receipts	....	....	....	–1,201	–1	–1	–1	–1	–1	–1	–1	–1,203	–1,208
Expenditure	....	....	....	1,201	1	1	1	1	1	1	1	1,203	1,208
Federal share	....	....	....	–1	–1	–1	–1	–1	–1	–1	–1	–3	–8

Table S–9. Mandatory Proposals—Continued

(In millions of dollars)

	2001	Estimate 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Totals 2002–2006	2002–2011
Veterans Affairs:													
OBRA Extenders:													
IRS income verification on means tested veterans and survivors benefits	....	....	....	–6	–6	–6	–6	–6	–6	–6	–6	–18	–48
Round-down disability benefits to nearest dollar after COLA	....	....	–15	–37	–60	–85	–107	–133	–163	–188	–208	–196	–996
Limit VA pensions to Medicaid recipients in nursing homes (includes Medicaid offsets)	....	....	....	....	....	....	....	....	–127	–138	–149	....	–415
Continue current housing loan fees	....	....	....	....	....	....	....	....	–275	–280	–286	....	–841
Eliminate "Vendee" loan program	....	19	–9	–12	–21	–26	–29	–34	–37	–36	–40	–49	–225
Army Corps of Engineers:													
Recreation user fee increase	....	–10	–5	–5	–5	....	....	....	....	....	....	–25	–25
FCC:													
Shift spectrum auction deadlines and promote clearing	....	2,600	1,000	–5,100	–2,000	–4,000	....	....	....	....	....	–7,500	–7,500
Analog spectrum lease fee	....	–198	–200	–200	–200	–200	–175	–150	–75	–25	....	–998	–1,423
FDIC:													
State Bank Examination fees:													
Reduction in FDIC outlays	....	–92	–97	–101	–106	–112	–118	–123	–129	–136	–143	–508	–1,157
FEMA:													
Phase out subsidized premiums for non-primary residences in the flood insurance program	....	–12	–41	–93	–194	–334	–410	–416	–421	–421	–421	–674	–2,763
Reform flood insurance program for repetitive loss properties that experience chronic flooding	....	....	–20	–30	–38	–43	–46	–49	–51	–53	–55	–131	–385
OPM:													
Extend higher agency contributions to the Civil Service Retirement Fund	....	....	–469	–482	–449	–415	–380	–343	–306	–268	–222	–1,815	–3,334
Other:													
Indirect impact of other proposals	....	....	–2	–4	–7	–7	–6	–3	–4	–4	–7	–20	–44
Total, offsets	....	1,631	–1,028	–8,810	–5,012	–7,220	–3,303	–3,361	–3,788	–3,827	–3,885	–20,439	–38,604
Total, mandatory proposals	**2,500**	**13,239**	**14,800**	**8,443**	**10,754**	**9,064**	**14,064**	**15,852**	**16,523**	**19,395**	**23,044**	**56,300**	**145,178**

Table S–10. Effect of Proposals on Receipts

(In millions of dollars)

	Estimate											Totals	
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2002–2006	2002–2011
President's Tax Plan presented to Congress on February 8th:													
Create new 10-percent individual income tax bracket	....	–5,678	–13,847	–21,932	–29,849	–37,407	–39,734	–40,281	–40,602	–40,685	–40,603	–108,713	–310,618
Reduce individual income tax rates	....	–11,793	–21,047	–33,493	–42,306	–57,299	–63,741	–65,454	–67,020	–68,550	–69,963	–165,938	–500,666
Increase the child tax credit [1]	....	–1,238	–7,505	–11,455	–16,347	–20,963	–25,296	–26,277	–27,098	–27,876	–28,602	–57,508	–192,657
Reduce the marriage penalty	....	–1,435	–4,844	–7,773	–10,343	–12,675	–14,125	–14,645	–15,154	–15,657	–16,183	–37,070	–112,834
Provide charitable contribution deduction for nonitemizers	....	–482	–1,690	–2,963	–4,448	–6,065	–6,988	–7,087	–7,306	–7,500	–7,642	–15,648	–52,171
Permit tax-free withdrawals from IRAs for charitable contributions	....	–53	–181	–195	–210	–225	–241	–258	–277	–299	–322	–864	–2,261
Raise the cap on corporate charitable contributions	....	–85	–136	–136	–143	–149	–159	–169	–178	–202	–222	–649	–1,579
Increase and expand education savings accounts	....	–3	–25	–88	–204	–373	–593	–829	–1,037	–1,206	–1,287	–693	–5,645
Permanently extend the R&E tax credit	....	....	....	–1,055	–3,431	–5,415	–6,543	–7,388	–8,019	–8,567	–9,158	–9,901	–49,576
Phase out death tax	–154	–4,930	–10,435	–11,442	–13,411	–16,263	–21,152	–30,603	–38,369	–55,691	–58,961	–56,481	–261,257
Total, President's Tax Plan presented to Congress on February 8th [1]	–154	–25,697	–59,710	–90,532	–120,692	–156,834	–178,572	–192,991	–205,060	–226,233	–232,943	–453,465	–1,489,264
Provide refundable tax credit for the purchase of health insurance [1]	....	–219	–1,513	–3,966	–5,796	–6,143	–6,777	–7,007	–7,101	–7,153	–7,183	–17,637	–52,858
Additional tax incentives [2]	–18	–1,812	–3,602	–4,322	–5,090	–6,001	–7,340	–8,406	–9,255	–9,997	–10,706	–20,827	–66,531
One-year extension of provisions expiring in 2001 [2]	....	–1,614	–1,355	–170	–94	–66	–37	–20	–18	–18	–18	–3,299	–3,410
Total tax reduction [1,2]	–172	–29,342	–66,180	–98,990	–131,672	–169,044	–192,726	–208,424	–221,434	–243,401	–250,850	–495,228	–1,612,063
Other provisions that affect receipts:													
Recover State bank supervision and regulation expenses [1,2]	....	70	74	76	80	84	88	92	96	101	105	384	866

[1] Affects both receipts and outlays. Only the receipt effect is shown here; the outlay effect is shown in Table S–9.

[2] Net of income offsets.

Table S-11. Receipts by Source—Summary

(In billions of dollars)

	2000 Actual	Estimate									
		2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Individual income taxes	1,004.5	1,072.9	1,078.8	1,092.3	1,117.9	1,157.0	1,196.6	1,255.2	1,330.4	1,410.2	1,499.6	1,598.2
Corporation income taxes	207.3	213.1	218.8	227.3	235.5	244.2	252.2	259.9	268.1	275.8	283.5	294.3
Social insurance and retirement receipts	652.9	689.7	725.8	766.0	806.0	855.8	896.4	942.0	984.4	1,030.8	1,087.9	1,145.1
(On-budget)	(172.3)	(185.8)	(194.9)	(205.2)	(215.8)	(226.8)	(237.9)	(248.7)	(258.2)	(269.8)	(284.3)	(298.8)
(Off-budget)	(480.6)	(503.9)	(530.9)	(560.8)	(590.3)	(629.0)	(658.5)	(693.3)	(726.2)	(761.0)	(803.5)	(846.3)
Excise taxes	68.9	71.1	74.0	76.3	78.3	80.5	82.3	84.8	87.3	90.0	92.8	95.7
Estate and gift taxes	29.0	31.1	28.7	26.6	28.3	24.9	22.5	20.4	15.7	13.4	0.7	0.7
Customs duties	19.9	21.4	22.5	24.3	25.0	26.0	27.7	29.3	30.7	33.0	34.5	36.2
Miscellaneous receipts	42.8	37.6	43.1	45.4	47.8	49.3	51.0	51.6	54.1	56.8	59.5	62.4
Total receipts	**2,025.2**	**2,136.9**	**2,191.7**	**2,258.2**	**2,338.8**	**2,437.8**	**2,528.7**	**2,643.3**	**2,770.6**	**2,909.9**	**3,058.4**	**3,232.6**
(On-budget)	(1,544.6)	(1,633.1)	(1,660.8)	(1,697.4)	(1,748.5)	(1,808.8)	(1,870.2)	(1,950.0)	(2,044.4)	(2,148.9)	(2,254.9)	(2,386.3)
(Off-budget)	(480.6)	(503.9)	(530.9)	(560.8)	(590.3)	(629.0)	(658.5)	(693.3)	(726.2)	(761.0)	(803.5)	(846.3)

Table S–12. Budget Authority Totals by Function

(In billions of dollars)

Function	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
National defense	304.1	310.6	325.1	333.9	342.8	352.2	361.9
International affairs	22.6	18.6	22.3	22.8	22.9	23.6	24.4
General science, space, and technology	19.3	21.0	21.4	22.1	22.5	22.9	23.5
Energy	–1.2	–0.9	–0.4	–0.2	–0.5	–0.4	–0.2
Natural resources and environment	25.0	28.5	26.6	27.2	27.9	27.9	27.7
Agriculture	33.7	29.3	15.8	14.2	14.1	14.5	14.9
Commerce and housing credit	15.4	–6.5	10.3	8.4	6.7	6.6	6.6
On-Budget	(11.7)	(–11.3)	(7.8)	(6.5)	(5.8)	(5.7)	(5.6)
Off-Budget	(3.7)	(4.8)	(2.5)	(1.9)	(0.9)	(0.9)	(1.0)
Transportation	55.4	61.5	62.1	60.0	61.5	63.1	64.8
Community and regional development	11.3	10.4	10.1	10.4	10.5	10.7	10.9
Education, training, employment, and social services	55.2	70.3	98.5	82.0	84.1	86.7	89.3
Health	161.5	181.4	204.9	230.0	246.3	254.1	268.1
Medicare	200.6	219.0	229.9	242.3	255.6	282.9	296.3
Income security	243.6	261.9	277.1	286.4	298.1	310.6	319.2
Social security	412.0	435.3	456.8	479.1	503.8	530.3	559.3
On-Budget	(13.3)	(11.7)	(14.0)	(14.5)	(15.5)	(16.3)	(17.3)
Off-Budget	(398.8)	(423.6)	(442.8)	(464.6)	(488.3)	(514.0)	(542.0)
Veterans benefits and services	45.5	47.7	51.8	53.8	55.9	57.8	59.7
Administration of justice	26.7	30.4	31.6	32.5	34.7	35.2	36.0
General government	13.5	16.2	16.6	16.9	18.4	17.6	17.9
Net interest	223.2	206.4	188.1	175.2	161.5	144.7	127.2
On-Budget	(283.0)	(275.3)	(264.2)	(260.7)	(257.3)	(252.0)	(247.3)
Off-Budget	(–59.8)	(–68.9)	(–76.1)	(–85.4)	(–95.9)	(–107.3)	(–120.1)
Allowances			5.3	5.4	5.6	5.7	5.8
Undistributed offsetting receipts	–42.6	–47.7	–49.4	–60.4	–70.6	–58.9	–62.4
On-Budget	(–34.9)	(–39.8)	(–40.5)	(–51.2)	(–60.7)	(–48.2)	(–50.9)
Off-Budget	(–7.6)	(–7.9)	(–8.9)	(–9.2)	(–9.9)	(–10.7)	(–11.4)
Total	**1,825.0**	**1,893.5**	**2,004.6**	**2,041.9**	**2,101.8**	**2,187.8**	**2,251.0**
On-Budget	(1,489.9)	(1,541.8)	(1,644.2)	(1,670.0)	(1,718.3)	(1,791.0)	(1,839.6)
Off-Budget	(335.0)	(351.7)	(360.3)	(372.0)	(383.5)	(396.8)	(411.4)

Note: The Administration proposes to reverse the misleading budget practice of using advance appropriations simply to avoid spending limitations. In order to avoid overstating discretionary budget authority in 2002, language is proposed to exclude the advance appropriation budget authority, appropriated in 2001, from discretionary budget authority.

Table S–13. Outlay Totals by Function

(In billions of dollars)

Function	2000 Actual	Estimate					
		2001	2002	2003	2004	2005	2006
National defense	294.5	299.1	319.2	322.1	333.1	347.2	354.0
International affairs	17.2	17.5	21.0	21.3	21.5	21.6	22.2
General science, space, and technology	18.6	19.7	20.8	21.4	22.2	22.6	23.1
Energy	–1.1	–0.7	–0.3	–0.1	–0.6	–0.4	–0.3
Natural resources and environment	25.0	27.4	27.5	27.7	28.0	28.4	28.7
Agriculture	36.6	25.9	18.6	15.0	14.0	14.1	14.5
Commerce and housing credit	3.2	–0.8	6.9	4.7	3.6	3.5	2.3
On-Budget	(1.2)	(–3.4)	(3.9)	(5.2)	(4.3)	(4.9)	(4.1)
Off-Budget	(2.0)	(2.6)	(3.1)	(–0.5)	(–0.7)	(–1.3)	(–1.8)
Transportation	46.9	51.1	55.0	57.5	59.7	62.1	63.8
Community and regional development	10.6	10.6	11.7	11.3	10.8	10.5	10.1
Education, training, employment, and social services	59.2	65.3	76.6	81.3	82.6	84.7	87.2
Health	154.5	175.3	201.5	224.4	243.3	250.7	264.8
Medicare	197.1	219.3	229.9	242.1	255.9	282.8	296.0
Income security	247.9	262.6	275.7	285.9	295.9	308.8	317.1
Social security	409.4	433.6	455.1	477.1	501.6	528.1	556.8
On-Budget	(13.3)	(11.7)	(14.0)	(14.5)	(15.5)	(16.3)	(17.3)
Off-Budget	(396.2)	(421.9)	(441.1)	(462.7)	(486.2)	(511.7)	(539.5)
Veterans benefits and services	47.1	45.4	51.6	53.6	55.8	60.4	59.6
Administration of justice	27.8	29.4	32.3	35.4	35.5	35.2	35.8
General government	13.5	16.8	16.3	16.7	18.4	17.4	17.6
Net interest	223.2	206.4	188.1	175.2	161.5	144.7	127.2
On-Budget	(283.0)	(275.3)	(264.2)	(260.7)	(257.3)	(252.0)	(247.3)
Off-Budget	(–59.8)	(–68.9)	(–76.1)	(–85.4)	(–95.9)	(–107.3)	(–120.1)
Allowances			2.4	3.9	4.7	5.4	5.7
Undistributed offsetting receipts	–42.6	–47.7	–49.4	–60.4	–70.6	–58.9	–62.4
On-Budget	(–34.9)	(–39.8)	(–40.5)	(–51.2)	(–60.7)	(–48.2)	(–50.9)
Off-Budget	(–7.6)	(–7.9)	(–8.9)	(–9.2)	(–9.9)	(–10.7)	(–11.4)
Total	**1,788.8**	**1,856.2**	**1,960.6**	**2,016.2**	**2,076.7**	**2,168.7**	**2,223.9**
On-Budget	(1,458.1)	(1,508.5)	(1,601.4)	(1,648.7)	(1,697.0)	(1,776.4)	(1,817.8)
Off-Budget	(330.8)	(347.7)	(359.2)	(367.6)	(379.7)	(392.4)	(406.1)

Table S–14. Discretionary Budget Authority by Function

(In billions of dollars)

Function	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
National defense	300.8	311.3	325.1	333.9	343.2	352.7	362.5
International affairs	23.5	22.7	23.9	24.4	24.9	25.5	26.0
General science, space, and technology	19.2	20.9	21.2	21.9	22.4	22.9	23.5
Energy	2.7	3.1	2.8	2.9	3.1	3.2	3.3
Natural resources and environment	24.6	28.7	26.4	27.0	27.6	27.6	27.4
Agriculture	4.7	5.1	4.8	5.2	5.2	5.3	5.4
Commerce and housing credit	5.1	0.7	–0.3	–0.1	–0.4	–0.5	–0.5
Transportation	15.2	18.9	16.8	17.8	18.2	18.6	19.0
Community and regional development	12.2	11.0	10.4	10.7	10.9	11.1	11.3
Education, training, employment, and social services	44.4	61.1	65.4	67.1	69.0	70.7	72.3
Health	33.8	38.9	41.0	45.7	46.9	48.1	49.4
Medicare	3.0	3.4	3.5	3.5	3.6	3.7	3.8
Income security	31.6	39.5	42.8	45.1	46.7	48.3	49.6
Social security	3.2	3.4	3.5	3.6	3.7	3.8	3.8
On-Budget	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Off-Budget	(3.2)	(3.4)	(3.5)	(3.6)	(3.7)	(3.7)	(3.8)
Veterans benefits and services	20.9	22.5	23.5	24.0	24.5	25.1	25.7
Administration of justice	27.1	30.0	29.8	31.9	32.3	32.8	33.5
General government	12.4	14.0	14.8	15.0	15.4	15.7	16.0
Allowances	....	....	5.3	5.4	5.6	5.7	5.8
Total	**584.4**	**634.9**	**660.6**	**685.1**	**702.7**	**720.1**	**737.9**
On-Budget	(581.2)	(631.5)	(657.1)	(681.5)	(699.1)	(716.4)	(734.1)
Off-Budget	(3.2)	(3.4)	(3.5)	(3.6)	(3.7)	(3.7)	(3.8)

* $50 million or less.

Table S–15. Discretionary Outlays by Function

(In billions of dollars)

Function	2000 Actual	Estimate 2001	2002	2003	2004	2005	2006
National defense	295.0	299.6	319.2	322.1	333.5	347.6	354.6
International affairs	21.3	24.1	24.5	24.7	24.9	25.0	25.6
General science, space, and technology	18.6	19.6	20.7	21.2	22.0	22.5	23.1
Energy	3.0	3.0	3.0	3.0	3.1	3.2	3.3
Natural resources and environment	25.0	27.6	27.6	27.6	27.7	28.3	28.5
Agriculture	4.7	5.5	5.5	5.2	5.3	5.3	5.4
Commerce and housing credit	4.5	1.7	0.4	0.1	–0.3	–0.5	–0.5
Transportation	44.7	48.9	53.2	55.4	57.7	60.2	61.9
Community and regional development	11.4	11.2	12.0	12.0	11.7	11.5	11.3
Education, training, employment, and social services	48.9	56.1	62.2	66.5	67.4	69.0	70.7
Health	30.0	34.1	38.5	41.7	45.0	46.8	48.1
Medicare	3.0	3.3	3.5	3.5	3.6	3.7	3.8
Income security	41.4	45.5	46.9	48.0	48.6	49.4	50.4
Social security	3.4	3.6	3.5	3.6	3.7	3.8	3.8
On-Budget	(*)	(*)	(*)	(*)	(*)	(*)	(*)
Off-Budget	(3.4)	(3.6)	(3.5)	(3.6)	(3.7)	(3.7)	(3.8)
Veterans benefits and services	20.8	22.4	23.4	23.9	24.5	25.0	25.6
Administration of justice	26.8	28.8	30.8	34.3	32.9	32.7	33.3
General government	12.4	14.5	14.5	14.9	15.2	15.5	15.8
Allowances	....	....	2.4	3.9	4.7	5.4	5.7
Total	**614.8**	**649.4**	**691.7**	**711.8**	**731.2**	**754.5**	**770.4**
On-Budget	(611.5)	(645.8)	(688.2)	(708.3)	(727.6)	(750.7)	(766.6)
Off-Budget	(3.4)	(3.6)	(3.5)	(3.6)	(3.7)	(3.7)	(3.8)

* $50 million or less.

Table S–16. Comparison of Economic Assumptions

(Calendar years)

	Projections											Average 2002–2011
	2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	
Real GDP (chain-weighted): [1]												
CBO January	2.4	3.4	3.3	3.0	3.0	3.0	3.0	3.0	3.0	3.1	3.1	3.1
Blue Chip Consensus March	1.9	3.4	3.5	3.4	3.4	3.4	3.3	3.3	3.3	3.3	3.3	3.4
2002 Budget	2.4	3.3	3.2	3.2	3.1	3.1	3.1	3.1	3.1	3.1	3.1	3.2
Chain-weighted GDP Price Index: [1]												
CBO January	2.3	2.1	2.0	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9	1.9
Blue Chip Consensus March	2.1	2.0	2.1	2.1	2.1	2.2	2.2	2.2	2.2	2.2	2.2	2.2
2002 Budget	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1	2.1
Consumer Price Index (all-urban): [1]												
CBO January	2.8	2.8	2.7	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.6
Blue Chip Consensus March	2.8	2.4	2.6	2.6	2.5	2.6	2.6	2.6	2.6	2.6	2.6	2.6
2002 Budget	2.7	2.6	2.6	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5	2.5
Unemployment rate: [2]												
CBO January	4.4	4.5	4.5	4.7	4.8	4.9	5.0	5.1	5.2	5.2	5.2	4.9
Blue Chip Consensus March	4.5	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6	4.6
2002 Budget	4.4	4.6	4.5	4.5	4.5	4.5	4.5	4.6	4.6	4.6	4.6	4.6
Interest rates: [2]												
91-day Treasury bills:												
CBO January	4.8	4.9	5.0	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9	4.9
Blue Chip Consensus March	4.6	4.8	5.2	5.3	5.3	5.2	5.2	5.2	5.2	5.2	5.2	5.2
2002 Budget	5.3	5.6	5.6	5.6	5.3	5.0	5.0	5.0	5.0	5.0	5.0	5.2
10-year Treasury notes:												
CBO January	4.9	5.3	5.5	5.6	5.7	5.8	5.8	5.8	5.8	5.8	5.8	5.7
Blue Chip Consensus March	5.1	5.4	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7
2002 Budget	5.4	5.6	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7	5.7

[1] Year over year, percent.

[2] Annual averages, percent.

Table S–17. Baseline Category Totals

(In billions of dollars)

	2001	Estimate 2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	Total 2002–2011
Outlays:												
Discretionary:												
Defense function	300	312	319	330	341	351	360	370	381	392	403	3,559
Nondefense	349	372	388	396	405	416	427	439	450	462	475	4,230
Subtotal, discretionary	649	684	707	726	746	766	788	809	831	854	878	7,789
Mandatory:												
Social Security	430	452	474	498	524	553	584	618	656	698	744	5,801
Medicare	216	226	239	252	271	279	301	320	342	365	396	2,990
Medicaid	129	143	154	167	182	198	216	234	254	276	300	2,125
Other mandatory	223	246	248	258	281	287	294	310	323	335	348	2,930
Subtotal, mandatory	998	1,067	1,114	1,176	1,259	1,317	1,394	1,482	1,575	1,674	1,787	13,846
Net interest:												
Interest earnings					–3	–14	–32	–56	–84	–118	–159	–466
Other	206	186	169	150	128	113	100	92	85	78	74	1,176
Subtotal, net interest	206	186	169	150	125	99	69	36	*	–40	–85	710
Total outlays	1,853	1,938	1,991	2,051	2,130	2,182	2,250	2,328	2,406	2,488	2,580	22,345
Receipts	2,137	2,221	2,324	2,438	2,569	2,698	2,836	2,979	3,131	3,302	3,483	27,981
Unified surplus	284	283	334	387	439	515	585	651	725	814	903	5,637
On-budget surplus	128	111	140	176	202	262	314	363	421	489	560	3,038
Off-budget surplus	156	172	194	211	237	253	272	289	304	324	344	2,599

* $500 million or less.

Note: Baseline assumes earnings on cash balances, which represent the return on investing excess Treasury cash in the private sector. The size of the balances that would be invested would vastly overwhelm existing institutional arrangements for investing Treasury operating balances, raising both operational and policy issues.

Table S–18. Federal Government Financing and Debt

(In billions of dollars)

	Actual 2000	Estimate 2001	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011
Financing:												
Unified budget surplus	236	281	231	242	262	269	305	340	373	420	465	526
On-budget surplus/reserve for contingencies [1]	87	125	59	49	52	32	52	69	85	117	142	184
Off-budget surplus	150	156	172	193	211	237	252	270	287	303	323	343
Financing other than the change in debt held by the public:												
Premiums paid (–) on buybacks of Treasury securities [2]	–6	–10	....	....	....	....	....	....	....	....	....	....
Changes in: [3]												
Treasury operating cash balance	4	3	....	....	....	....	....	....	....	....	....	....
Checks outstanding, deposit funds, etc. [4]	3	–*	–1	....	....	....	....	....	....	....	....	....
Seigniorage on coins	2	2	2	2	2	2	2	2	2	2	2	2
Less: Net financing disbursements:												
Direct loan financing accounts	–22	–39	–4	–17	–18	–17	–16	–16	–16	–16	–16	–15
Guaranteed loan financing accounts	4	–1	–1	1	–*	–*	1	1	1	1	1	1
Total, financing other than the change in debt held by the public	–13	–45	–4	–15	–16	–15	–14	–13	–13	–13	–13	–13
Total, amount available to repay debt held by the public	223	236	227	227	246	254	291	326	359	406	452	513
Change in debt held by the public: [5 6]												
Change in debt held by the public	–223	–236	–227	–227	–246	–254	–291	–326	–198	–125	–71	–50
Less change in excess balances	....	....	....	....	....	....	....	....	–162	–281	–381	–463
Change in net indebtedness	–223	–236	–227	–227	–246	–254	–291	–326	–359	–406	–452	–513
Debt Subject to Statutory Limitation, End of Year:												
Debt issued by Treasury	5,601	5,598	5,637	5,698	5,759	5,832	5,890	5,932	6,118	6,395	6,749	7,140
Adjustment for Treasury debt not subject to limitation and agency debt subject to limitation [7]	–15	–15	–15	–15	–15	–15	–15	–15	–15	–15	–15	–15
Adjustment for discount and premium [8]	6	6	6	6	6	6	6	6	6	6	6	6
Total, debt subject to statutory limitation [9]	5,592	5,588	5,627	5,688	5,749	5,822	5,881	5,922	6,108	6,385	6,740	7,130
Debt Outstanding, End of Year:												
Gross Federal debt: [10]												
Debt issued by Treasury	5,601	5,598	5,637	5,698	5,759	5,832	5,890	5,932	6,118	6,395	6,749	7,140
Debt issued by other agencies	28	27	27	26	25	24	23	21	21	21	20	20
Total, gross Federal debt	5,629	5,625	5,664	5,724	5,784	5,856	5,913	5,953	6,138	6,415	6,770	7,160
Held by:												
Debt securities held as assets by Government accounts	2,219	2,451	2,717	3,004	3,310	3,636	3,985	4,352	4,735	5,137	5,562	6,002
Debt securities held as assets by the public: [6]												
Debt held by the public	3,410	3,174	2,947	2,720	2,473	2,219	1,928	1,602	1,404	1,279	1,208	1,158
Less excess balances	....	....	....	....	....	....	....	....	–162	–443	–824	–1,287
Net indebtedness [11]	3,410	3,174	2,947	2,720	2,473	2,219	1,928	1,602	1,242	836	384	–129

*$500 million or less.

[1] The actual amount of annual debt retirement will vary depending upon the availability of eligible redeemable debt, and the use, if any, of the contingency reserve.

[2] This table includes estimates for Treasury buybacks of outstanding securities only through 2001. These estimates assume that Treasury will buy back $35 billion (face value) of securities in 2001. The premiums paid on buybacks are based on experience to date and the interest rates in the economic assumptions.

[3] A decrease in the Treasury operating cash balance (which is an asset) would be a means of financing a deficit and therefore has a positive sign. An increase in checks outstanding or deposit fund balances (which are liabilities) would also be a means of financing a deficit and therefore would also have a positive sign.

[4] Besides checks outstanding and deposit funds, includes accrued interest payable on Treasury debt, miscellaneous liability accounts, allocations of special drawing rights, and, as an offset, cash and monetary assets other than the Treasury operating cash balance, miscellaneous asset accounts, and profit on sale of gold.

[5] Indian tribal funds that are owned by the Indian tribes and held and managed in a fiduciary capacity by the Government on the tribes' behalf were reclassified from trust funds to deposit funds as of October 1, 1999. Their holdings of Treasury securities were accordingly reclassified from debt held by Government accounts to debt held by the public, which affected the change in debt held by the public without affecting borrowing or the repayment of debt.

[6] The amount of the unified budget surplus that is available to repay debt held by the public is estimated to be more than the amount of debt that is available to be redeemed in 2008 and subsequent years. The difference is assumed to be held as "excess balances." ("Excess" means in excess of the amounts held for operational and programmatic purposes.) The debt held by the public is the amount of Federal debt securities held by the public. The net indebtedness is the debt held by the public less the excess balances.

[7] Consists primarily of Federal Financing Bank debt.

[8] Consists of unamortized discount (less premium) on public issues of Treasury notes and bonds (other than zero-coupon bonds) and unrealized discount on Government account series securities.

[9] The statutory debt limit is $5,950 billion.

[10] Treasury securities held by the public and zero-coupon bonds held by Government accounts are almost entirely measured at sales price plus amortized discount or less amortized premium. Agency debt is almost entirely measured at face value. Treasury securities in the Government account series are measured at face value less unrealized discount (if any).

[11] At the end of 2000, the Federal Reserve Banks held $511 billion of Federal securities and the rest of the public held $2,899 billion. Debt held by the Federal Reserve Banks is not estimated for future years.

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VI. OMB CONTRIBUTORS TO THE 2002 BUDGET

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